THE CANADIAN CAPITAL MARKETS TO 1984 (IV)

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Statistics Canada 61-006
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EXECUTIVE SUMMARY OF SALIENT POINTS

(1) **Chartered Banks**: Strong asset growth temporarily stalled during the recession. Assets: strong shift into foreign currency assets, especially loans (26-45%); Canadian dollar loans shrinking (38-30%), and many bill/bond/deposit plus Canadian securities accounts were drained. Liabilities: foreign currency liabilities expanding (27-46%), with drops in personal savings deposits (32-28%) plus most other deposits accounts. The balance sheet "U.S.-$-assets-&-liabilities booked in Canada" shows large and significant important imbalances.

(2) **Trust Companies:** Very healthy asset growth. Assets: moving out of residential mortgages (55-36%); energetic and diffuse expansion of asset base involving 14 accounts. Liabilities: moving out of 1-5 year term deposits (55-38%), plus non-chequing demand deposits (17-7%); moving into RRSP deposits (6-22%).

(3) **Mortgage Loan Companies:** Very strong total asset growth. Assets: mortgages 80%, but moving into NHA (8-24%), and out of residential (63-50%) plus non-residential (12-5%); numerous important but smaller developments. Liabilities: 1-5 year term deposits 50%; numerous small and significant movements.

(3a) **Mortgage Loan Companies Associated with "A" Banks:** Exceptional rates of total asset growth. Assets: moving into NHA mortgages (20-27%) and out of conventional residential (67-54%); non-mortgage loans growing (0-5%). Liabilities: 1-5 year term deposits 55%; shift into short-term + parental debt and out of debentures under trust indenture.

(4a) **Local Credit Unions**: Assets healthy and fairly stable. Liabilities: "Members' equities" withered (16-6%); shifts out of chequing accounts and into non-chequing and term deposits.

STRUCTURAL CHANGES OF BALANCE SHEETS

(1) Chartered Banks: Strong asset growth temporarily stalled during the recession; however strong shift into [illegible] especially loans (18-62%); Canadian dollar [illegible] and many bills/bonds/deposit plus Canadian securities [illegible]. Liabilities: foreign currency liabilities [illegible] (37-20%); [illegible] in personal savings deposits (32-26%) plus [illegible]. The balance sheet "U.S.-dollar-assets-to-liabilities" [illegible] large and significant imbalances.

(2) Trust Companies: Very healthy asset growth. Assets: moving out of residential mortgages (55-48%) and partly out of [illegible] base investing in accounts. Liabilities: moving out of 1-5 year term deposits (55-48%), plus non-chequing savings deposits [illegible] moving into RRSP deposits (8-22%).

(3) Mortgage Loan Companies: Very strong total asset growth. Assets: mortgages 80%, but moving into NHA (8-47%), and out of residential (63-56%) plus non-residential (12-7%); however [illegible] development. Liabilities: 1-5 year term deposits 70%, however small and significant movements.

(3a) Mortgage Loan Companies Associated with Banks: Phenomenal rate of total asset growth. Assets: moving into NHA mortgages (10-47%) and out of conventional residential (87-58%); however [illegible] loans growing (0-9%). Liabilities: 1-5 year term deposits 90%; shift from short-term personal debt and out of debentures [illegible].

(4a) Local Credit Unions: Assets healthy and fairly stable. Liabilities: "members' capital" withdrawn (10-6%); shifts out of chequing accounts and into non-chequing and term deposits.

(4b) **Central Credit Unions:** Healthy asset growth rates. Assets: total bonds/debentures fell 14%; numerous smaller developments. Liabilities: 70-80% owed to local credit unions; many sizeable shifts, mostly amongst financial accounts.

(5) **Financial Corporations:** Total asset base experienced some very difficult years. Assets: accounts and notes receivable are roughly 64%; moving into commercial business loans (2-16%); shifting out of non-small personal loans (14-6%), residential mortgages (8-5%) and leases (9-3%). Liabilities: moving into short-term Canadian currency notes (23-42%) plus owing to Canadian parents/affiliates (6-10%); moving out of short-term foreign, long-term foreign and long-term Canadian notes/bonds/debentures (41-26%).

(5a) **FC's: Retailers:** Fairly healthy and stable.

(5b) **FC's: Car & Truck:** Experienced serious difficulty in the recession but bounced back with vigor in '84. Asset accounts stable and majority of liabilities are financial.

(5c) **FC's: Farm Equipment:** Large asset growth gave way to asset shrinkage. Assets: shift out of retail financing (81-66%), into wholesale (14-27%). Liabilitiy trends potentially alarming: shift into 'owing to foreign parents and affiliates' (44-69%); shift out of bank loans (15-4%), short-term notes (9-0%), plus long term debt (13-0%).

(5d) **FC's: General Acceptance Corporations:** Asset base moderately shrunk then modestly grew. Assets: radical reorientation from retail to wholesale markets: moved into business loans (16-47%) and wholesale financing (7-18%); moved out of retail industrial/commercial financing (24-8%), leasing (22-4%), residential mortgages (8-1%), plus consumer financing (4-2%). Liabilities: big shift out of long-term debt (40-10%) plus bank loans (11-1%), and into short-term notes (20-69%).

(5e) **FC's: Consumer Loans**: Asset base shrunk. Assets: residential mortgages (36%); non-small personal loans (44-38%). Liabilities: moved into long-term debt (26-36%); out of 'owing to foreign parents/affiliates' (24-17%).

(6) **Financial Leasing:** Very complex and arguably alarming '77-84 experience.

(7) **Business Financing**: Huge asset shrinkage was replaced by meagre growth. Assets: Over the recession, BFC's diversified out of business commercial loans and then returned back into them. Liabilities: Huge shift out of short-term notes (66-23%), and into long-term bonds/debentures (12-20%).

(8) **Real Estate Investment Trusts**: Large asset shrinkage. Assets: major shift out of mortgages (55-29%) plus 'investments in the Trusts by way of advances and notes' (42-28%); rises in term deposits (0-30% over '83-84) plus "land, buildings" (0-8%). Liabilities: (i) "advances from the financing corporation" dropped (42-28%) and trust unit share capital rose (12-36%); (ii) complex shift out of long-term bonds/debentures.

(9) **Mortgage Investment Companies:** Uneven slow-down in total asset growth. Big in mortages, moving out of single-residential (41-18%), into multiple-residential (26-42%). Liabilities: trend out of long-term bonds/debentures, into short-term.

(10) **Closed-End Funds**: Spectacular asset growth in '83 but otherwhile mediocre. Assets: moving out of common Canadian shares (69-35%) plus term deposits (8-2%); moving into "other investments in Canada" (0-20%) and into share invetments in Canadian subsidiaries plus preferred Canadian plus foreign shares (15-30%). Liabilities: equity accounts were predominant; fairly stable except for '77-82/83-84 in contributed surplus (2-17%) and retained earnings (52-42/19%).)

(11) Investment Funds: Substantial total asset growth. Assets: moving out of residential mortgages (34-12%), and into foreign common shares (13-26%) plus Canada and provincial bonds (4-13%); numerous other developments. Liabilities: RRSP (32%), non-registered (48%), retained earnings (18%).

(11a) IF's: Equity: Admirable growth in total assets. Assets: foreign corporation shares (35%); Canadian shares (47%); shift from commercial paper (7-2%) to "other" short-term notes (1-5%). Liabilities: retained earnings down (37-26%); non-registered plus RRSP share capital up (47-57% and 13-15%).

(11b) IF's: Mortgage: Asset growth has improved from negative to modest. Assets: shift from conventional residential mortgages (83-16%) into NHA (6-14%). Liabilities: RRSP (61-66%); non-registered share capital (35-30%).

(11c) IF's: Income: Had trouble in the recession, but have bounced back by shifting (i) out of mortages and long-term corporate bonds/debentures, and (ii) into long-term Canada bonds plus short-term commercial paper. Liabilities are 53% RRSP, 44% non-registered share capital, 9% RHOSP.

(12) Trust Company Retirement Savings Funds: Apparent rule change in '80: (i) precluded holding term deposits in trust companies (74% in '79) (ii) resulted in 267% shrinkage of asset base. And then a respectable '81-83 recovery was staggered in '84.

Big '79/84 asset growths in: common shares (10/53%), long-term Canada bonds (2/11%), conventional mortgages (4/11%). Liabilities for '79/84: unitholders' contributions (95/67%); undistributed income (5/33%).

(12a) Trust Company Retirement Savings Funds: EQUITY: Highly erratic rates of total asset growth. Assets: moving out of term deposits (12-3%) plus long-term bonds/debentures (15-6%), and into common shares (67-81%).

(13) Segregated Funds: Total asset growth rates very strong then lower but still healthy. Assets: corporation shares 35%; moving out of long term corporation bonds/debentures (16-8%) and into Canada (3-16%); moving out of mortgages (23-13%); many smaller trends. Liabilities: non-RRSP policyholding is 95%

(14) Life Insurers: Healthy and steady nominal growth rates. Assets: held for business outside Canada (23-29%); bonds/debentures (27%); moving out of mortgages (32-24%) and into 3 small accounts. Liabilities: a considerable though slow strategy is being followed, essentially involving a shift out of insurance accounts and into others.

(14a) Accident & Sickness Branches of Life Insurance: Respectable asset growth. Assets: mortgages (24-18%), assets held for business outside Canada (13-18%), bonds/debentures (46%); numerous small developments. Liabilities: provision for unpaid claims (46-54%); many small trends.

(15) Investment Dealers: Modest average asset growth rates. Assets: moving (i) into Canada plus provincial bills/notes (11-30%), and (ii) out of commercial paper plus bank and finance company notes (40-13%); vigorous expansion of non-traditional accounts. Liabilities: moving (a) out of bank call plus buy-back loans (40-20%), and (b) into clients' credit free balances (3-13%) plus 5 smaller accounts.

(1) CHARTERED BANKS

TOTAL ASSETS: A long period of strong asset growth ended with the recession, although there was a resumption of growth in '84 (26/(0)/10 over '78/83/84).

ASSETS: It's clear that over '72-84 a basic, two-pronged restructuring of the banks' holdings took place: (I) There was a strong shift into "total foreign currency assets", which rose 26-45%. (Accompanying the rise in foreign currency assets were increases in: (i) non-NHA residential mortgages (1.5-3.4% over '72-79, and possibly beyond as well); (ii) "customers' liability under acceptances, guarantees and letters of credit" (3.1-7.9% over '72-80, and then simply "customers' liability under acceptances" rose 1.9-3.6% over '81-84); and (iii) "all other assets" (1.6-1.8% over '81-84).)

(II) At the same time as foreign holdings were expanding, there were declines in a number of accounts: (1) All categories of "loans in Canadian dollars" - which are examined in detail below - exhibit at least a net downward trend, with the most significant being in "general loans" (which bounced around the 36-38% range over '72-77 before declining to 29.7% in '84). (2) Beyond their loan and foreign activities, the banks held the balance of their assets as widely cast over an array of accounts which may generally be typified as either 'bills, bonds, deposits and the like', or else as Canadian securities; and as a general matter too, a glance at the banks' balance sheet confirms that there was draining of many of these accounts over '72-84.

LIABILITIES: Two sorts of accounts were dominant here: (I) Total foreign currency liabilities, which have followed the growth path of their asset-brother in virtual lock-step (rising 27-46% over '72-84). (II) "Personal savings deposits", which was considered one account during '72-80 (and which declined then, 31.6-27.6%), but which then was broken down for '81-84 into either chequable, non-chequable or else fixed term deposits (rising 1.8-3.4%, rising-falling 12.4/13.9/12.5%, and falling-rising 12.3/11.2/11.7% respectively).

As well: (1) Beyond the categories of personal savings deposits, there was a clear decline over '72-84 in most other forms of deposit liabilities, as witnessed in terms of: government deposits (4.9-0.6%), personal demand chequing deposits (2.3-.9%), non-personal demand chequing deposits (13.1-3.6%), and fixed term non-personal deposits (12.7-9.4% for '81-84). (The only exceptions occurred in non-personal notice deposits (1.2-1.8%), as well as already noted in chequable personal savings deposits (1.8-3.4%).)

(2) Shareholders' equity slid over '72-80 (dropping 3.2-2.4%), although there appears to have been an improvement during '81-84, when the common stock, preferred stock and retained earnings accounts rose (by .3-.9%, .4-.8% and 1.7-2.0%), although again contributed surplus and general reserves declined (.5-.3% and .3%-'no entry').

(3) "Acceptances, guarantees & letters of credit" essentially rose over '72-80 (by 3.1-7.9%), and then so did the more limited account "Bankers' acceptances" over '81-83 (1.9-3.8%, although there was a slip to 3.6% in '84).

(4) Other trends of note were the declines in: (i) "liabilities of subsidiaries other than deposits" (.54-.37% over '81-84), (ii) other liabilities (1.5-1.1% over '81-84), and (iii) accumulated appropriattions for losses (1.2-.6% over '72-80); as well as the rise in tax paid appropriations (.01-.17%)

REVENUES: Given the relative magnitude of, plus the upward trend in interest from loans (76-90% over '72-81), and remembering the strong shift that occurred into "foreign currency assets", it would appear that many of these assets are in fact simply loans, and so an important question is the degree, if at all, to which our banks are imperiled in the sense of having loans outstanding to such governments as Argentina and Brazil. (Indeed the uniformed mind wonders whether such possibilities might have been a part of what prompted the Prime Minister to speak out in Bonn on the importance of debt restructuring for, inter

alia, the relatively affluent third world.)

While interest revenues from loans rose 76-90% over '72-81, income from securities faltered (14-7%) and "other revenue" slid (14-7%).

EXPENSES: There has been an imperfect though clear rise in interest expenses on deposits (60-87% over '72-81) at the same time as the squeeze was apparently put on the various operating and other expenses.

CANADIAN CURRENCY LOAN ACTIVITIES: The backdrop here is the observation made in analysis of the asset accounts, that "All categories of 'loans in Canadian dollars' exhibit at least a net downward trend, with the most significant being in 'general loans'". And the hobble here is the Bank of Canada's fundamental change in definitions as between '80/81.

(I) Trends Prior to '81 Despite the fact that "general loans" fell as a percentage of total bank assets (dropping 39/33/30% 76/80/84), it is still true that their nominal volume rose steadily over '70-80 (by $15,725,000,000-$93,330,000,000).

Keeping these two points in mind, the table "General Loans" indicates that the banks moved out of a number of loan markets over '70-80: (1) 'personal loans against marketable securities' (3.9-1.1% over '72-80); (2) 'personal loans against home improvements' (.33-.03%); (3) student loans (1.8-0.8%); (4) "loans to institutions" (2.1-0.9%); (5) business loans of less than $100,000 (11.9-9.3% over '70-73, along with a drop in business loans of less than $200,000 by 13.1-11.0% over '77-80, although inflation was likely a key element here, especially over the latter period).

On the other hand, there was: (a) A net rise in 'other personal loans' (running 8.9/12.0/11.1% over '70/78/80). (b) A rise-fall-rise, with a net increase, in nominal business loans exceeding $5,000,000 (running 17.2/22.5/18.5/26.6% over '70/75/78/80). (c) A rise-fall in 'Ordinary personal loans secured by household property

other than motor vehicles' (representing 1.1/1.3/1.0% in '70/74/80). (d) A fall-rise in loans to farmers (running 7.7/6.6/7.7% over '70/74/80).

Within the category of "business loans" the big story was the strong net rise in loans to "other businesses" (which ran 26.0/38.8/36.6% over '69/78/80). In addition, loans to petroleum companies grew slowly and then lept in '80 (registering approximately 3.8/6.0/10.3% over '69-74/75-79/80).

Alternatively, there were often rough, but still significant net drops in loans to: chemical and rubber products (2.4-1.4% over '75-80); electrical apparatus and supplies (3.8-1.4% over '69-80); food, beverage and tobacco products (6.7-3.8% over '70-80); forest products (5.4-3.4% over '70-80); mining and mine products (6.7-3.2% over '72-80); textile, leather and clothing (3.9-1.6% over '69-80); and transportation equipment (3.6-1.7% over '69-80).

<u>(II) Tendancies after '80</u> The table "non-mortgage loans" suggests three tendancies over '81-83: one very sweeping, one fairly predictable and one that is borne out elsewhere in this report.

With the exceptions of increased loan shares to agriculture (5.5-6.3%), "fishing and trapping" (.22-.33%), "oil and gas" (4.4-6.0%) and 'the non-builder-and-developer segment of the construction industry' (4.7-5.1%), the first portion of the sweeping tendancy was movement away from the following 11 types of business categories: logging and forestry (.9-.7%); mining (1.7-1.1%); 'mines, quarries and oil wells other than mining and oil and gas' (1.6-0.7%); food, beverage and tobacco manufacturing (1.4-1.2%); metal products manufacturing (1.8-1.6%); transportation equipment manufacturing (5.7-5.0%); wholesale trade (4.6-3.9%); retail automative trade (1.65-1.50%); 'retail non-automotive trade' (3.3-3.0%); and real estate operators (3.1-2.7%).

While it must be remembered that '81-83 were largely years of recession, the other half of the sweeping tendancy was--with the exception of a drop in "loans to governments" (by 2.3-1.4%), a rise in

loan shares to: "multi-product conglomerates" (.40-.65%); institutions (1.3-1.6%); non-resident (1.1-2.5%); and leasing receivables (1.6-2.0%).

The predictable tendancy came in the "consumer goods and services" loan market, especially with the growth in credit card loans (2.8-3.3%); and it came somewhat too with the drop in loans to purchase mobile homes (.8-.6%). (Also occurring in the consumer market were a drop in loans for rennovations of residential property (.8-.6%), and a rise in "other" loans (14.4-16.8%).)

The tendancy that is borne out elsewhere in this report was the drop in loans to Canadian investment dealers (2.0-1.0%, along with a drop in loans to Canadian public financial institutions).

FOREIGN CURRENCY ACTIVITIES: (1) Foreign currency loans In terms of foreign currency loans -- whose total recorded value in '83 (IV) was $102,554,000,000 -- the predominant account has been "loans to non-residents", which slid a bit over '81-83 (77.5-74.9%), but which obviously raises the questions of who or what and where are these "non-residents"?

Beyond, the story in terms of foreign currency loans to Canadians is highly similar to that of Canadian currency loans to Canadians. First of all, there were declines over '81-83 in 6 accounts: oil and gas (4.4-3.6%, which is at variance with the growth in the Canadian currency loan account, although the two movements together may well simply reflect the impact of the National Energy Program); 'mining, quarries and oil wells other than oil and gas or else mining' (.54-.37%); transportation equipment manufacturing (.76-.21%); petrolium products manufacturing (.45-.23%); 'the construction industry other than builders and developers' (1.5-1.2%); and retail trade (.37-.25%). (As well, there were declines in 'loans to Canadian individuals for non-business purposes other than to purchase or carry securiteis' (.33-.23%); plus 'loans to other than Canadians or else non-residents', whoever this connotes (.52-.35%).

Contrarily, there were increased loan shares to Canadians in: financial institutions (2.4-2.8%); 'private fishing, trapping, logging and forestry businesses' (.20-.48%); mining (1.6-2.2%); 'manufacturers of other than metal products, transportation equipment or else petrolium products' (1.5-2.8%); real estate operators (.87-1.05); multiproduct conglomerates (.18-.55%); federal and provincial government enterprises (1.1-1.9% and .3-.7%); and "loans to governments" (.75-.89%).

(2) Foreign currency balance sheet Some rather dramatic movements occurred here over '74-84. While there appears to have been a structural shift in the data as between '80/81 -- possibly due to a change in definitions by the Bank of Canada--nevertheless, a number of trends are prevalent. In fact, for a qualitative discussion, ignoring the apparent shift is a simple thing to do (because for every asset and liability account, ignoring the possible shift at the least does not disrupt the trends suggested by first looking separately and then jointly at '74-80 and '81-84 periods, and for most cases the shift actually serves to heighten the trends to be noted) and so I shall largely ignore the possible shift, other than to note its existence.

In the asset accounts, the big though imperfect story was the rise-fall but net expansion of 'non-call loans', "other assets" plus securities (41.0/49.9/66.4/63.2% over '74/80/82/84, .9/2.7/5.2/4.3% over '75/80/81/84 and 1.9/8.2/4.4/5.6% over '75/78/81/84), together with a fall-rise but net decline in "deposits with banks" and call loans (52.2/41./3/23/8/26.1% over '74/80/82/84 and 1.9/.9/.5/.8% over '77/80/82/84).

The predominant liability account over '81-84, and presumably before, although there is no data available, was fixed term deposits (which went 87.6/87.9/85.9% over '81/83/84). In addition, demand deposits fell-rose (4.2-3.3/4.5% over '81/82/84), notice deposits grew (2.5-4.0%) and "other liabilities" rose-fell but grew in sum ('no entry'/1.6/6.7/5.7% over '74/80/82/84).

In terms of to what or who the banks owed their foreign currency liabilities, there was a tendancy towards and then away from "deposits of banks" (51.7/57.8/51.4/46.3% over '75/80/81/84), and contrarily there was movement away from and then back to "other deposits" (48.0/40.6/42.9/48.1% .

(3) U.S.-$-assets-&-liabilities booked in Canada This balance sheet appears highly revealing, with the most interesting figures to be found in the Canadian non-bank accounts. In these, there was strong growth in asset holdings, occurring largely over '75-78 (going in sum 17.4/31.5/35.4% over '75/78/83), although Canadian non-bank liabilities fell, especially during '78-81 (declining 30.2-8.7% over '76-83). This is great news, and it would seem to raise the question of what the impact was on these figures by such capital pools as the Heritage Fund (as well as, in turn, the question of, "So what does this mean relative to 'capital adequacy in Canada'?").

At the same time, the US-$ assets and liabilities of Canadian banks grew fairly steadily and in balance too (running 1.2-2.6/4.6% and 1.3/2.6/4.3% over '75/81/83).

There were in addition either significant relative or else significant dynamic imbalances in at least one of the US, UK and 'other OECD' accounts: (1) US bank assets rose-fell (11.4/21.4/16.5% over '75/80/83) but their liabilities grew '79-83 (8.9-20.7%) and the puny US non-bank asset base wove around the 1% mark while their relatively huge stock of liabilities rose in net (roughly 15-20%). (2) US bank assets tumbled, especially over '75-79 (going 24.4/9.3/8.9% over '75/79/83), but their liabilities grew (5.8/18.5/12.8% over '75/82/83). (3) The small asset base of 'other OECD' banks slipped (1.3-0.3% over '77-83) while their liabilities shrank towards congruence (10.7-1.9% over '75-83).

Beyond: (a) Assets booked by the banks of "all other countries" essentially declined (25-20% between '75-83) at the same time as their liabilities rose-fell (by 11.3/16.7/14.3% over '75/81/83). And

non-bank liabilities wobbled in the 9-15% range while asset holdings hovered around 12% before dipping to about 6.4% during '82-83. (b) Bookings of assets and liabilities by 'other EEC' banks both fell in sum (going 7.6-4.3% and 5.1-1.7% over '76-83).

(A quick glance at the table "Total Foreign Currency in Canada" confirms a very similar story as that just told in relation to "U.S. Dollar Assets and Liabilities Booked in Canada", and this is for the simple reason that in'83 for example, the total of the latter was 94% of the former, whose absolute value was $80,096,000.000.)

(2) TRUST COMPANIES

TOTAL ASSETS: Trust companies have been enjoying a string of very healthy growth years (20/9/11% over '78/82/83).

ASSETS: Two simple statements say a lot about a balance sheet that was very active over '77-84: (I) There was a steady reduction in the largest account, conventional residential mortgages (55-36%), although holdings of NHA mortgages remained very near to 11% (rise-fall-rising ever so slightly over '77/79/82/84).

(II) At the same time and beyond conventional residential mortgages, there was an energetic and diffuse expansion of the Companies' asset bases. The 14 accounts showing significant net or else outright upward trends over '77-84 were: 'non-bank term deposits' (.15/.42/.34% over '77/81/84); 'short-term bills and notes except for sales finance company notes' (2.3/10.2/8.0% over '77/83/84); 'long-term municipal, provincial and especially corporation bonds, debentures and notes' (4.2-8.3%); investments in units of real estate investment trusts (.00-.05%); Canadian corporate shares (2.7-5.9%); investments in subsidiaries by way of advances (.2-.6%, and investments by way of shares fell-rose .95/.33/.68% over '77/79/84); "other investments in Canada" (.00-.08%); 'foreign corporation shares and other investments' abroad (.06-.38%); conventional non-residential mortgages (7.3/10.2/9.1% over '77/80/84); secured and unsecured personal loans (1.4-4.5%); 'non-investment-dealer collateral business loans' (0.8-1.4%); "other loans" (0.10-.12%); plus "fixed assets, held for own use or for income" and real estate held for sale (0.7-1.0% and .2-.8%).

Partially counter-balancing these expansions were significant net or else outright drops in 4 accounts: 'chartered bank plus swapped term deposits' (6.3-2.9%), sales finance companies' short term notes (.35-.24%), long-term Canada bonds (2.3-1.9%), collateral business loans with investment dealers (.7-.3%, although the numbers barely indicate a trend).

LIABILITIES: Three fundamental movements over '77-84 are prominent here: (1) A decline in 1-5 year term deposits (55-38%, together with a drop in 5+ year term deposits, by .7-.3%). (2) A decline as well in non-chequable demand deposits (17.3-7.2%, although there was a somewhat offsetting rise in chequable demand deposits, 3.6-8.5%). (3) Much of these two significant declines were absorbed as rises in RRSP liabilities: term deposits for RRSP grew vigorously (5.8-16.7%); and demand deposits for RRSP, which apparently began being held in '79 (and then rose-fell 4.8/5.6/4.6% over '79/82/84).

In terms of equity: (a) there was a net rise in preferred share capital (.59/.97/.75% over '77/82/84); (b) common share capital slid over '78-84 (1.25-1.04%); and (c) contributed surplus and reserves fell-rose (running 1.0/.6/.9% over '77/78/84, and .45/.34/.63% over '77/80/84).

Beyond these major and equity occurances: (i) both RHOSP term and demand deposits slid (.6-.3% and .7-.6%). (ii) Term deposits of less than a year rose-fell with a net rise (7.7/14.0/10.4% over '77/81/84. (iii) "Other tax shelters" appeared in '79 (and then rose-fell 1.7/2.8/1.6 over '79/81/84). (iv) 'Other loans and non-primisory notes' rose (.3/.1/.9% over '77-81/82/83-84). (v) Owing to parent and affiliated companies rose-fell (0.2/1.1/0.7% over '77/80/84). (vi) Accounts payable and "other liabilities" rose (2.4-3.7% and .1-.4%). (vii) Both mortgages payable and deferred income taxes dropped (.6-.2% and .7-.3%).

REVENUES: The largest account, interest earned on mortgages, fell-rose-fell (65.7/53.5/55.5/53.7% over '77/81/83/84), and while this was at variance with the net slide in mortgage asset values, it was apparently on balance in keeping with interest rate levels.

At the same time there were significant net or else outright rises in: (1) Interest earned on: bonds and debentures (5.6-11.4%); leases (.1-.9%); "personal or consumer loans" (1.9-4.4%); and "other" (5/17/12% over '77/81/84). (2) Dividends from Canadian subsidiaries

(.1-.4%), and from 'foreign non-subsidiaries' too (.02/.09/.04% over '78-82/83/84). (3) Equity in income of subsidiaries (.2-.6%) plus "other revenue" (0.8/2.6/2.2% over '77/83/84).

Conversely, fees and commissions (i) from estates; trusts and agencies dropped over '77-84 (7.3-3.9%); and (ii) from sale of real estate fell-rose (9/4/5% over '77/81/84.)

EXPENSES: The dominant account, 'total interest expenses on term deposits', was roughly constant over '77-84 at 61%, just as its liability-cousin 'total term deposits' was roughly 70% over the period. There was not, however, such a correspondence for the second largest account, 'total interest expenses on demand deposits', which rose-fell (9/5/6% over '77/81/84) while total demand deposit liabilities remained approximately constant at 20% (although the discrepancy is probably explained by the course of interest rates over the period).

Beyond these interest expenses, of note were: (i) the rise-fall in provisions for losses (roughly 0.4/1.9/2.6/2.0% over '77-81/82/83/84); (ii) the ballooning of management fees (roughly 0.1/0.9% over '77-82/83-84, although the leap may actually be tied to the decline in salesperson commissions plus the noted asset base restructuring); and (iii) the fall-rise in "other expenses" (8.7/4.9/6.2% over '77/81/84.

(3) MORTGAGE LOAN COMPANIES

TOTAL ASSETS: Very strong growth rates (11/37/21% over '78/83/84) are likely at least in part related to associations with schedule "A" banks.

ASSETS: As one might expect, mortgage holdings comprised by far the largest set of accounts over '77-84, and while mortgages as a whole remained remarkably constant as just over 80%, there nevertheless were some equally remarkable shifts as amongst the three mortgage accounts. Specifically, there was a continuous movement into NHA mortgages (8.2-23.7%), and out of both conventional residential and conventional non-residential mortgages (63-50% and 11.5-5.4%).

Beyond the mortgage accounts there were significant developments in eight asset categories over '77-84: (1,2) There was an erratic net shift away from holding Canadian currency term deposits with chartered banks (roughly 2.4-0.9%), and an erratic net shift, occurring largely as between '81/83, towards holding more 'Canada and provincial treasury bills and short-term notes' (together registering 0.04/3.24% for '77/84). (3,4) There was a rough but clear decline in investments in subsidiaries (4.6-1.2%), and an exponential growth over '77-83 in holdings of long-term corporation bonds, debentures and notes (0.7/5.5/4.4% over '77/83/84). (5) Personal unsecured loans dropped over '80-83, but then exploded in '84 (0.4/0.2/2.6% over '80/83/84). (6) "Collateral business loans with investment dealers" were phased-out with the end of '82 (starting with a .22-.05% drop over '77-78). (7) Lease contracts withered rather continually (.71-.27%). (8) "Fixed assets" steadily dropped (.37-.06%).

(As well as the foregoing trends, there were notable swings in the following accounts: 'cash and demand deposits held with non-banks' (.00/.16/.02% over '79/80/84); long-term Canada, and long-term provincial bonds, debentures & notes (0.9/1.6/0.8% and .5/.2/.5% over roughly '77/79/84); Canadian corporation shares (1.7/3.9/1.1% over '77/79/84); "investments outside Canada" (.14/.47/.11% over '77/81/84); 'collateral loans to other than

investment dealers' (1.1/1.5/1.0/1.9% over '77/80/83/84).

LIABILITIES: Roughly one half of all MLC liabilities are owed as 1-5 year term deposits, and this account remained fairly stable over '77-83 (although there was a slight fall-rise-fall-rise of 49.9/47.9/53.1/51.5% over '77/79/81/83/84).

In terms of the rest of the accounts, there were nine significant movements over '77-84: (1) There was a strong shift out of, especially, non-chequable demand deposits (3.9-0.9%), as well as something of a shift out of chequable demand deposits (1.21/0.31/0.60% over '77/82/84). (2) Aside from the dominant and fairly stable 1-5 year account, there was a shift out of 5+ year term deposits (7.3-1.7%), and a movement into term deposits of less than a year (1.1/5.8/4.9/7.6% over '77/81/83/84). (3) There was a rough but clear movement away from Canadian currency chartered bank loans (.8-.1%). (4) Promissory notes of less than a year registered approximately 3-4% over '77-81, but then lept and then slipped a touch (11.4/10.2/9.4% over '82/83/84); while promissory notes of 1+ years rose-fell (running 3.5/11.3/2.9% over '77/80/84). (5) 'Owing to Canadian parents and affiliates' fell '77-80 (5.7-3.8%), but then ballooned to 14.4/12.5% in '83/84. (6) Debentures issued under trust indenture fell heavily into disfavour over '79-84 (plummeting 10.9-1.4%) (7) Deferred income taxes slid (.72-.28%). (8) The preferred and the common share capital accounts did inversely symmetrical swings over '77/80/83 (going 1.3/3.4/1.0% and 1.9/1.4/2.4%). (9) There was a draining of the contributed surplus, reserves and retained earnings accounts (1.2-0.5%, 1.0-0.2% and 2.3-1.2%).

(In addition, minor occurances were: (i) the one-time use of foreign currency bank loans (.00/.30/.01% during '78/79/80); (ii) the cessation of bank loans obtained from banks outside Canada (.06/.03/'no entry' over '77/78/79-83); (iii) the withering, and then the return to relative favour of "other" promissory notes (roughly .24/.04/.28% over '77-78/79-82/83-84); (iv) the drop-rise in income tax liabilities (+.15/-.07/+.07 over '77/79/84); (vi) the birth-decline in 'owing to foreign parents and affiliates' ('no entry'/.06/.03% over '79/80/84);

and (vii) the rise-fall in deferred income (.14/.38/.08% over '77/81/84).

REVENUES AND EXPENSES: While the extent of detail in the balance sheet makes an extended comment on the revenue and expense statements problematic in terms of accuracy, it is clear that the predominant "mortgage interest revenues" account reflected the approximate magnitude of the sum of its asset-cousins (running 85/78/83/81% over '77/79/82/84), while an analogous statement may be made for "term deposit interest expenses" (which ran 64/55/66/58/63% over '77/79/82/83/84).

(3a) MORTGAGE LOAN COMPANIES ASSOCIATED WITH SCHEDULE A CHARTERED BANKS

TOTAL ASSETS: Stellar rates of growth have eased off to the large (52/44/16% over '81/83/84).

ASSETS: Not surprisingly, mortgages are the big accounts here, and over '80-83 there was: (1) an expansion of NHA holdings (20-27% over '80/82-84); (2) a withdrawl from the largest account, conventional residential mortgages (67-54%); and (3) a slight downward tendancy in the conventional non-residential account (4.4/3.5% in '80/84).

At the same time the non-mortgage loan load of these companies mushroomed (0.05/0.25/4.21% over '80-82/83/84).

In terms of investments held -- and these are primarily financial and Canadian -- it's unfortunate that the various accounts aren't broken down to show with whom they're being held (though one does wonder how many are held with chartered banks, and not).But anyway, the trends in the investment accounts over '80-84 were: (i) a net expansion of long-term bond, debenture and note holdings (1.6/7.0/5.3% over '80/83/84); (ii) a net rise in short-term bills and notes (1.5-3.2%); (iii) a net decline in term deposits (2.5-1.1%); (iv) a net withering of "other investments in Canada" (1.8-0.1%); and (v) a bubble then a collapse in investments outside Canada (.10/.43/'no entry' over '80/81/84).

LIABILITIES: The majority of liabilities were 1-5 year term deposits (which fell-rose 56/54/56% over '81/83/84; along with a drop in 5+ year deposits (.39-.01%), and a net shift into deposits of less than one year (1.9-6.8%)).

Considering all accounts, including term deposits, there were over '80-84 essentially two trends in liability and one in equity: (1) In terms of financial liabilities there was a clear net trend towards shorter-term holdings, as promissory notes of 1+ years dropped

(17.2-3.3%) at the same time as there were net rises in both promissory notes of less than one plus term deposits of less than one year (2.2-10.3& and 1.9-6.8%). (2) There was a dramatic net rise in 'owing to parent and affiliated companies' (2.3-4.4%) plus a sizeable drop in debentures issued under trust indenture (11.5-1.7%). (3) Preferred share capital slid (4.2-1.0%) while common shares and retained earnings rose (1.3-2.3% and .3-.6%).

REVENUES: Predictably, mortgages were the big earner (at roughly 90/87% over '80-83/84), while non-mortgage interest revenues grew (5.7-9.8%) and total dividend income experienced an uneven but net demise (1.51-0.00%).

EXPENSES: In keeping with the liability accounts plus the course of interest rates over '80-83: term deposit interest rose-fell-rose (57/65/57/64% over '80/82/83/84); promissory note and debenture interest dropped (21-16% and 12-12%); and "other interest expenses" -- presumably 'owing to parent and affiliated companies' -- plus "other expenses" grew in sum (2/13/10% and 8/10/9% over '80/83/84).

(4a) LOCAL CREDIT UNIONS

TOTAL ASSETS: Only in a relative sense did LCU's have a problem through the recession (22/5/11% over '78/82/83).

ASSETS: Despite a balance sheet that looks like it contains many trends in many accounts, in fact the asset holdings of LCU's were quite stable over '77-83. For starters, the largest account,conventional residential mortgages, hovered around 39%.

The second largest account was personal loans, and even though this category experienced the largest absolute shift of any, still the movement over '77-83 was a relatively pale drop of 23-17%.

Counter-balancing the decline in personal loans were expansions in: (1) farm loans and mortgages (3.0-5.3%); (2) mortgages and loans to "commercial, industrial & co-operative enterprises" (5.2/11.6/10.1% over '77/81/83); (3) NHA mortgages (0.08-1.05%); (4) allowance for doubtful loans (-.3 to -.6 over '79-83); (5) interest (0.9/1.6/1.2% over '78/82/83); and (6) "other" loans (roughly 0.65/1.15% over '77-81/82-83).

(In terms of the financial assets held by LCU's: (i) they've been holding a little more cash on hand (1.34/1.63/1.52% over '79/82/83); (ii) there was a drop-rise in demand deposits (9.0/7.8/8.9% over '77/79/83); (iii) term deposits held with banks rose-fell (.13/.41/.18% over '78/82/83), while those in trust and mortgage companies shrunk (.67-.23%), and those held with central credit unions fell-rose-fell (7.4/5.6/9.9/8.2% over '77/79/82/83); (iv) their holdings of Canada plus corporation bonds and debentures rose (.21-.54%, but not enough to offset the drops in provincial and municipal holdings (1.03-.19% and 2.2-0.4%); and (v) they're holding shares in central credit unions at a slightly lower level (.96/.77/.88% over '78/81/83), but have been tending to hold a few more non-centrals' shares (.17/.07/.27% in '77/80/83).)

LIABILITIES: It's on this side of the balance sheet that a fair degree of change is to be observed, with three major trends prevailing over '77-83: (1) There was a shift into term and into non-chequing demand deposits (35-42% and 24-32%). (2) Meanwhile, chequable demand deposits were declining (18-13%). (3) And "members' equities" withered rather dramatically, with ordinary share capital falling 15.7-5.5% and undivided surpluses dipping 1.45-0.36%.

(Otherwise there was: (i) a rise-fall in 'loans payable to other than the banks or else central credit unions'(.25/.80/.10 over '79/82/83); and (ii) and increase in interest payable (1.0-2.4%).)

REVENUES: The trends in LCU revenues over '77-83 closely mirror the trends in LCU assets in that: (a) revenues from mortgages were greatest and fairly constant around 49%; (b) revenues from "personal and other non-mortgage loans" showed a slight downward softness (roughly 32-29%); and (c) interest earned on demand deposits crudely and slightly rose-fell (registering 5.3/7.0/5.5% in '77/81/83).

EXPENSES: Beyond qualitatively reflecting the first 2 major trends in the LCU liability portfolio, these accounts indicate that: (1) The involvement of LCU's in providing insurance coverage is clearly declining (although '83 saw a revival in all accounts). (2) There was, at least until '81, the suggestion that LCU's are having some success in reducing their operating expenses. (3) Although this is not apparent from the balance sheet, '81 interest expenses on loans from central credit unions were twice their usual level, at 5.6%.

(4b) CENTRAL CREDIT UNIONS

TOTAL ASSETS: On average, the total assets of CCU's have grown at a very healthy pace (16/6/24/13/21/5% over '78/79/80/81/82/83).

ASSETS: As the CCU balance sheet indicates for '77-83: (a) there was a lot of movement in the asset accounts, with most of it simply being the shifting of money from one type of financial holding to another; and (b) CCU's hold a large number of types of assets, with no account ever in any year reaching 20% or more of total assets.

The largest group of holdings of bonds and debentures. In sum there has been a net shift out of them, with clear and fairly clear drops in the municipal and corporation accounts (12.7-2.9% over '77-83, and 4.0-2.2% over '78-83). On balance provincial and "other" holdings declined as well (11.4/12.9/8.0% over '77/79/83 and 1.5/0.7/0.8% over '77/81/83), although Canada bonds rose a bit in sum (4.9/10.2/6.4% over '77/80/83).

Other trends in financial assets over '77-83 were: (1) A net decline in cash and demand deposits (1.6/0.1/0.6% over '77/82/83). (2) A tendancy to hold more term deposits with non: banks/trust-and-mortgage-companies/local-credit-unions (2.2/8.8/6.8% over '77/83/84). (3) A fall-rise in all 3 short-term bill and note accounts (together running 16.3/3.8/22.7% over '77/79/83). (4) A movement away from holding common corporation shares, and slightly towards holding preferred shares (3.1-1.5% and .05/.15/.10% over '77/81/84). (5) A decline in investments in subsidiaries, both by way of shares (2.0-1.5%, although there was a one-time swell to 7.9% in'80, as well as by advances (roughly 2.0-1.5% over '79-83).

Beyond their financial accounts, CCU's hold roughly 20% of their assets as loans. There are 12 CCU loan accounts, and while none exhibit an unambiguous trend it may be crudely said that: (i) non-mortgage loans to "commerical, industrial and co-operative enterprises" rose 2/4/8% over '77-78/79-82/83, while mortgage loans to

these entities slipped 3.4-2.2% over '79-83; (ii) conventional residential mortgages dropped 1.0-0.5% over '79-83; and (iii) allowances for doubtful mortgage and non-mortgage loans together grew from -.02 to -.15 over '80-83.

LIABILITIES: Roughly 70-80% of CCU liabilities are owed to local credit unions, with term deposits of less than one year having grown (16/36/32% over '79/82/83), and with slides in (a) demand deposits (37.8-24.8% over '77-83), and (b) term deposits of 1+ years (23-8% over '78-83).

Over '77-83 as well: (1,2) There were pronounced shifts into both non-LCU demand deposits (1.8-12.2% over '80-83), plus non-LCU term deposits (2-8% over '79-83). (3) There was a leap into, and then a slip away from promissory notes (0.05/6.1/3.2% over '78/79-81/82-83). (4) Notes and loans payable to non-LCU's/banks withered (5.4-0.9% over '78-83, along with the drop by .9-.2% over '81-83 in payables to banks). (5) There was a one-time leap in "other liabilities" in '80 (roughly 0.1/6.0/0.1%).

Finally, as for LCU's, there was a clear net slide over '77-83 in the share capital accounts (by roughly 9-6%).

REVENUES: As the asset accounts plus interest and inflation rates over '77-83 would suggest: (a) there were many swings in many accounts, with few unambiguous trends; and (b) interest revenues predominated.

Outside of interest revenues there were some interesting developments: (i) Dues and fees slumped-recovered (3.7/2.4/4.1% over '77/81/83), which of course bodes well for CCU's. (ii) Computer and data processing charges dropped in jagged fashion over '77-83 (3.1-1.3%); and by way of general notation, the respected Professor Richard Cooper of Harvard recently told an Ontario Economic Council conference that this is a trend which will continue on a radical scale for likely the next two decades at least. (iii) Other revenues declined over '77-82 (3.5-0.9%).

EXPENSES: Interest expenses on deposits made up at least 60% of all expenses in every year. And in terms of the second largest category, 'operating expenses', an apparent relative improvement in '81-82 unfortunately did not continue into '83.

(5) FINANCIAL CORPORATIONS

TOTAL ASSETS: Although there was an improvement in'84, these corporations in sum previously experienced some very difficult years (8/10/(1)/3/(16)/2/11% over '78/79/80/81/82/83/84).

ASSETS: In terms of relative size, there are three tiers of accounts here: (I) The largest set of accounts fall under the heading "accounts and notes receivable", and within this grouping there are three accounts, none of which exhibited huge changes over '77-84: (1) "Retail industrial and commercial financing" rose-fell (21/26/19% over '77/81/84); (2) "retail consumer sales financing" rose (roughly 21/26% for '77-80/81-84); and (3) "wholesale financing" imperfectly fell-rose (18.4/14.7/16.8% over '77/81/83).

(II) Three types of assets inhabit the second tier of accounts, and in all three cases the '84 values were lower than those of '77: (i) non-small personal loans fell (by 13.5-6.4% over '77-84; (ii) residential mortgages slid (by 7.5-4.6% over '80-84); and (iii) lease contracts receivable rose-fell (going 8.8/9.5/3.2% over '77/80/84).

(III) Perhaps the most striking asset account was "commercial business loans", which bounced around the 1.9-2.7% range during '77-81, but then which exploded to 8.0/13.5/15.6% over '82/83/84. Other third-tier accounts experiencing increases were: (a) "other receivables" (.04-1.5% over '78-84); and (b,c) long-term Canada, and long-term corporation "bonds, debentures and notes", both of which ballooned in '83/84 (jumping to .7% and .9/.4%, up from the ranges of 'no entry'-.1% and 'no entry'-.0% previously).

Third-tier accounts which fell over '77-84 were: (d) capital and dealer business loans (.7-.2); (g) business mortgage loans (0.7/2.7/0.5/0.2% over '77-79/80-81/82-83/84); (e) small personal loans (1.8-0.0).

LIABILITIES: The majority of liabilities owed by financial corporations are of the variety "notes, bonds and debentures", with an exponential trend towards owing more short-term Canadian currency notes (22.5-42.4% over '79-84); and with trends away from owing (i) short-term foreign currency, notes (5.0-2.2% over '79-83); (ii) long-term Canadian currency notes, bonds and debentures (29.9-20.7% over '78-84); and (iii) long-term foreign currency notes, bonds and debentures (6.5-2.8% over '77-84).

Beyond, there were significant net or else outright rises in: (1) dealers' credit balances (roughly .4/.6% over '77-81/82-84); (2) interest accounts payable (1.0/1.7/1.3% over '77/82/84); and (3) owing to Canadian parents and affiliates (6.4/11.1/9.5% over '77/81/84).

Conversely, there were significant net or else outright drops in: (a) mortgages (.24-.10% over '77-84; and (b) deferred income taxes (2.1-0.2% over '78-84).

(5a) FINANCIAL ACCEPTANCE CORPORATIONS ASSOCIATED WITH RETAILERS

TOTAL ASSETS: These corporations felt the recession, although they were not ravaged by it, and since have done quite well (8/1/10% over '81/82/84).

ASSETS: These accounts are very stable and not surprising in terms of relative size, as "retail consumer sales financing" was roughly 100% over '80-84 (fall-rising-101.2/99.9/100.5% over '80/83/84).

At the same time, there was a rise-fall in "other assets" (.5/.9/.7% over '80/82/84), together with drops in (i) investments in subsidiaries by way of advances (1.6-0.3%), plus (ii) allowances for doubtful accounts (-3.0 to -2.5%).

LIABILITIES: Two fairly stable accounts dominated over '80-84: (1) long-term debt, which rose-fell (43.0/48.9/40.8% over '80/82/84); and (2) owing to Canadian parents and affiliated companies, which fell-rose (38/31/40% over '80/82/84).

Beyond the 2 major accounts there were three trends: (a) First a shift out of bank loans and into short-term notes and accounts payable, followed by a partial reverse shift (2.5/0.3/0.6% over '80/82/84, and 9.1/11.5/10.6% and 1.2/2.1/1.6 over '80/83/84). (b) A melting of "share capital and contributed surplus" (1.9-0.9%). (c) More prompt payment of income tax liabilities.

REVENUES: As per the assets accounts, retail sales financing was the preponderant revenue source, bouncing around with a minimum of 96.5% in '83, the last year that there was "other revenue", followed by maximum of 99.9% in '84.

EXPENSES: One trend that is consistent with the liability holdings is the rise-fall in interest expenses on short-term notes (4/9/4% over '80/83/84). And two rises that appear somewhat proportionately imbalanced are: (i) interest payments to banks (.2/1.6/.1% over

'80/81/83/84); and (ii) interest payments to parent companies, which steadily grew (12.7-19.8%), unlike the liability account 'owing to Canadian parents and affiliated companies' which fell-rose.

Furthermore, the net drop in "provision for doubtful receivables" (19.1-7.7%) seems quite a bit larger than the decline in its negative asset-uncle, "allowance for doubtful accounts" (which declined -3.0% to -2.5%).

(5b) FINANCIAL ACCEPTANCE CORPORATIONS: CAR & TRUCK

TOTAL ASSETS: As one would expect, these corporations were hard hit by the recession, but by '84 they were enjoying a robust expansion (14/(37)/19% over '81/82/84).

ASSETS: The assets of these corporations are predominantly held in one of three categories, all of which were fairly stable over '80-84: (i) "Retail industrial and commercial sales financing", at roughly 39%; (ii) "Wholesale financing", which fell-rose (35/25/28% over '80/82/84); and (iii) "Retail consumer sales financing", which rose-fell (17/26/23% over '80/82/84).

Beyond the three major accounts, large percentage changes occurred over '80-84 in: (1) Other receivables, which rose (1.2-2.6%); (2) Other investments, which slid-lept-dropped (0.4/0.1/2.6/1.1% over '80/82/83); and (3) receivables under lease contracts, which fell-rose (4.0/3.3/5.0% over '80/83/84).

LIABILITIES: In terms of relative size, the majority of accounts here are financial in nature, with the biggest story being that long-term debt rose-fell while short-term note liabilities fell-rose (27.4/36.5/25.1% and 45.3/30.3/51.6% over '80/82/84). In addition, accounts payable rose-fell (2.7/4.3/2.6% over '80/82/84), while bank loans declined except for a bubble in '83 (8.2/11.8/4.5%).

In the non-financial accounts there were 2 and arguably 3 improvements over '80-84, in that: (a) "share capital and contributed surplus" rose in sum (going 4.9/8./7.8% over '80/83/84, although retained earnings rose-fell 3.8/5.0/3.6% over '81/82/84); (b) deferred income taxes dropped (.6-.3%); and (c) there was a slide in "owing to parent and affiliated companies outside Canada" (2.1-0.5%, while liabilities to Canadian parents and affiliates rose fell 4.6/6.3/4.1% over '80/82/84).

REVENUES: Two interest and service charge accounts were dominant over '80-84, with retail sales financing having grown (57-69%), and with wholesale financing having declined by a slightly larger amount (37-23%).

EXPENSES: The correspondences here with the balance sheet are very rough indeed, with the at least partially inharmonius account being: bank interest expenses (especially in '83); parent company interest expenses; long-term interest expenses; plus, possibly, provisions for doubtful receivables.

(5c) **FINANCIAL ACCEPTANCE CORPORATIONS: FARM EQUIPMENT MANUFACTURING**

TOTAL ASSETS: Astonishingly growth gave way to large drops in asset values (83/(24)/11% over '81/83/84).

ASSETS: This is a very striking balance sheet indeed. The big story over the period was a net shift out of the predominant "industrial and commercial retail sales financing" market (81-66%), and into the second largest account, "wholesale financing" (14/31/27% over '80/83/84).

Probably or else possibly related movements over '80-84 were: (1) The trend to holding larger cash and demand deposit balances (0.6-3.5%). (2) The net increase in other assets (.07-.58%). (3) The drop in other receivables (.24-.06%).

LIABILITIES: The tale approaches the alarming here with an apparent shift away from arms length liability. There was a strong net surge in 'owing to foreign parents and affiliated companies' (44-69%, although liabilities to Canadian brethern went 2.7/6.1/1.7% over '80/83/84). And at the same time there were at least net declines in bank loans (15.4-4.2%), short-term notes (8.6%-'no entries') long-term debt (12.9%-'no entries'):

Perhaps related was the rise in retained earnings (7.8-15.4% over '80-84).

REVENUES: The shift out of retail and into wholesale activity is reflected here, although as might be expected, the rate of change has been slower than in the asset accounts. (Notable is the sprouting of "other revenue" from 'no entries'-5.2% over '80-84.)

EXPENSES: The apparent shift away from arms length liability is reproduced here. (And beyond this, of special note was the pronounced swing in the provision for doubtful receivables, going from -0.8 to +5.1%).

(5d) FINANCIAL CORPORATIONS: GENERAL ACCEPTANCE CORPORATIONS

TOTAL ASSETS: There was an improvement here in that a shrivelling asset base became one experiencing modest growth ((12)-11% over '81-84).

ASSETS: Over '80-84 the majority of markets serviced by GAC's fundamentally changed from being retail to wholesale in nature. For starters, there was an enormous shift into business loans (16-47%), as well as into the wholesale financing business (7-18%). In addition and the opposite direction, there were large shifts out of "retail industrial and commercial sales financing" (24-18%), leasing (22-4%), residential mortgages (7.5-1%), small personal loans (.58-.00%), and retail consumer financing (4.2-1.7%).

Beyond these shifts, noteworthy were: (1) The net drop in investments in subsidiaries by way of shares (6.4/8.1/4.0% over '80/81/84). (ii) The net rise in "other investments" (2.7-8.4%). (iii) The fall-rise in "other assets" (.5/.3/.7% over '80/83/84).

LIABILITIES: Over '80-84 there was a massive shift out of long-term debt (40-10%), and into short-term notes (20-69%), although to a degree part of this increase came from a shift out of bank loans (11-1%).

As well over '80-84: (a) deferred taxes were paid down (4.5-0.4%), although retained earnings dropped (10/11/% over '80/81/84); (b) liabilities to foreign parents and affiliates rose-fell (1.2/2.8/1.6% over '80/83/84); and (c) the recession apparently caused a large though temporary leap in liabilities owing to Canadian parents and affiliates (6/15/5% over '80/81/84).

REVENUES AND EXPENSES: While the larger themes noted above are apparent in these 2 sets of accounts, when corresponding asset/revenue and liability/expense accounts are compared on a year-to-year basis, a number of points of imperfect syncronization may be noted in terms of direction and/or magnitude of trend.

(5e) FINANCIAL CORPORATIONS, CONSUMER LOAN CORPORATIONS

TOTAL ASSETS: A very poor albeit improving performer ((12)-1% over '81-84).

ASSETS: CLC's were big in two markets over '80-84: (1) Non-small personal loans, which declined in sum (44-38%). (2) Residential mortgages, which rose-fell (32/45/34% over '80/82/84).

Other trends over '80-84 were: (i) A fall-rise in the third largest account, "retail consumer sales financing" (9.2/4.7/8.5% over '80/82/84), as opposed to a rise-fall in "retail industrial and commercial financing" (2.7/3.2/2.0% over '80/81/84). (ii) Sizeable increases in investments in subsidiaries, both by way of shares and advances (0.6-4.6% and 2.4/0.1/8.5% over '80/82/84). (iii) A vacation of the small personal loan market (3.6%-'no entry') (iv) A sharp decline in leases (3.3-0.1%, which is likely consistent with the shift out of personal loans). (v) A rise-fall in business loans (1.7/3.0/1.3% over '80/83/84). (vi) A big jump in '84 in other receivables (to 3.4%, up from less than 0.9% previously). (vii) The rise-fall in allowance for doubtful accounts (-3.8/-4.3/-3.6% over '80/81/84). (viii) The growth in other assets (1.3-1.6%).

LIABILITIES: The most pronounced 'trend' here was a shift into long-term debt, occurring with a leap over '82/83 (roughly 26/36% over '80-82/83-84).

Other facts of notes are: (1) Liabilities to foreign parent and affiliated companies dropped in sum (24-17%). (2) Over the recession CLC accounts payable fell-rose (3.1/1.6/2.5% over '80/81/84), reliance on bank loans rose-fell (1.8/2.5/1.8% over '80/82/84), short-term notes payable rose-fell (14/23/13% over '80/81/83, although they rose to 16.6% in '84), liabilities to Canadian parents and affiliates rose-fell (.01/.95/.02% over '80/81/84), retained earnings rose-fell (19.6/25.2/19.0% over '80/82/84) and "share capital and contributed surplus" fell-rose (11/7/10%, although it slipped to 6.1% in '84). (3)

There was an improvement in deferred income taxes (from +.46 to -.47 over '80-84).

REVENUES: There are no real surprises here, with the closest thing to one being the apparent fact that with '84 came some returns (4.9%) on CLC investments in subsidiaries.

EXPENSES: Apart from "other expenses" -- which at 36% in '84 constitutes the largest expense category, and the category may be growing -- most CLC expenses go to interest, amongst which the account 'interest expenses incurred with parent companies' is out of sync with the liability account "owing to parent and affiliated companies."

(6) FINANCIAL LEASING CORPORATIONS

TOTAL ASSET: The total size of these corporations' asset base has been highly variable, and while '83-84 saw respectable rates of asset growth, the '78-84 story as a whole is not pretty ((12)/47/(10)/21/9% over '78/79/82/83/84).

ASSETS: The story of these corporations' development over '77-84 can be viewed as possibly frightening, but for here at least it's simple, and it begins with (A) the dramatic rise over '78-84 in lease contracts receivable (56-89%, although -- and this point is critical -- on closer inspection it is seen that the rise actually took place in three stages, going roughly 56/70/89% over '77/78-81/82-84), together with (B) 2 major falls: (1) in investments in Canadian subsidiaries by way of advances (19.4-0.2%, but significantly, dropping 19.4-4.8% between '77/78); and (2) commercial business loans (12.1-1.7%, although perhaps signficantly, the real drop was 11.9-2.5% over '81-82).

Only two rises accompanied the mushrooming of lease contracts receivable, and while both were imperfect in trend, both may be viewed as possibly perverse: (i) the generally negative account, allowance for doubtful accounts (which went -.9/+.9/-1.3 over '77/79/84); and (ii) equipment in the hands of lessees (which went 0.4-2.1% over '77-83).

Minor declines experienced were: (a) 'consumer retail sales financing accounts receivable' (.05%-'no entry' over '77-81); (b) 'capital and dealer business loans receivable' (.48%-'no entry' over '77-80); (c) Canadian term deposits (.25/2.37%/'no entry' over '77/79/83); (d) investments in Canadian subsidiaries by way of shares (.20-.03% over '77-84); (e) land, buildings, etc. (.45-.24% over '81-83); and (f) "other assets" (1.0-0.5% over '81-84).

LIABILITIES: Some light is shed here on the movements that occurred in the asset accounts in that the move to the third plateau for lease contracts receivable (from 70% during '78-81 to 87% for '82-84) occurred

at the same time as owing to Canadian parents and affiliates jumped to roughly 34% (up from its approximate 20% value over '77-81). (Possibly weakening a little the inference which may be drawn was the decline of 7.2-0.2% over '77-84 in 'owing to foreign parents and affiliates', although (i) most of the decline occured before '82, and (ii) the precise identities of these foreign fellows are not at all clear.)

Beyond liabilities to Canadian associates, the other two large liability accounts (a) are financial, and (b) are short- and long-term in nature, with both sorts of accounts experiencing strong swings over '77-83, although short-term holdings ended with a net drop, and long-term ended with a net rise: (1) Short-term Canadian notes fell-rose-fell-rose (going 35/20/26/12/16% over '77/79/80/83/84; together with foreign short-term notes, which essentially dropped over '78-83 by 9.9%-'no entry'). (2) Long-term Canadian notes, bonds and debentures rose-fell-rose (10/27/16/19% over'77/81/83/84; together with foreign long-term debt, which rose in sum over four stages, going 0.07/4.7/10.3/17.6% over '77-79/80-82/83/84).

The suggestion that a presaged structural shift occurred in the industry with the dawn of 1982 is lent force by considering the equity accounts. Over '77-79 there was strong growth in preferred shares (2.3-12.1%), and it will be recalled that between '77-78 there was a jump in the dominant asset account, lease contract receivable (56-70%); thereafter preferred shares ran 12.1/12.6/10.9% over '79-81, while common shares continued its slow slide (3.7-2.2% over '77-81). However, in 1982, when lease contracts receivable lept again (70-87%), preferred shares dropped (to 9% and then to 4.6% in '84), while common shares rebounded in sum (registering 2.2/4.9/5.1/13.5% over '81-84).

The foregoing is to say, that a major "upstreaming" game may have been played by FLC's over '77-84 which involved 6 aspects: a three-phased expansion of leasing contracts receivable; a drop, especially between '77-78, towards virutal termination of investments in subsidiaries; a clear expansion-contraction of preferred shares and a fairly clear contraction-expansion of common shares; a sharp reduction

in commercial business loans, occurring especially during '81-82; a tilt away from short- and towards long-term financial liabilities; and, finally, a jump in liabilities to corporate parents and affiliates in '82.

(Beyond and still in terms of equity, contributed surplus slid 2.03-0.65% over '78-84; and retained earnings dropped '77-81 but then rebounded during '83-84, running 2.6/0.6/2.9%).

In terms of the smaller liability accounts, there was a drop in loans from banks outside Canada (by 3.46%-'no entry' over '79-84).

REVENUES: The trends generally accord here with those observed in the asset accounts, although for "interest and service charges earned on leasing contracts" the syncronization could be viewed as a little out of whack -- and in keeping with the upstreaming hypothesis -- in that these revenues remained roughly constant at their '77 values through '81 (72%), despite the fact that lease contracts receivable were 56% in '77 before becoming roughly 70% for all of '78-81.

EXPENSES: Apparent here are: (1) The tilt away from short and towards long-term financing. (2) The jump in interest costs to parents over '82/84 (to approximately 32%, up from roughly 20% before). (3) The reliance on bank debt '77/78/79 (6.5/10/10%) and its lower values after (roughly 2.7%). (4) The slide in salary expenses (12.3-5.3% over '78-84). (5) The expansion of "depreciation and amortization of equipment in the hands of lessees" (1.2-6.0% over '80-84). (6) The slide/revival/drop in the use of provision for doubtful receivables (going 7.4-4.6/11.1-16.6/7.6-5.8% over '77-80/81-82/83-84).

(7) BUSINESS FINANCING CORPORATIONS

TOTAL ASSETS: Some very hard times fell upon these corporations, although they seem to have effected a turnaround ((39)/(102)/2/6% over '81/82/83/84).

ASSETS: The balance sheet here indicates that many changes occurred over '80-84 in terms of BFC dealings, though at a fairly high level of abstraction the tendancy of the changes may simply be characterized as a shift, over the course of the recession, into and then out of an apparently more complex set of business holdings.

Two categories of asset holdings have been dominant, and accepting the general statement just made, their courses over '80-84 may be seen as complimentary: (1) Business commercial loans fell-rose (going 58/42/65% over '80/83/84). (2) And investments in Canadian subsidiaries by way of advances' rose-fell (running 14/33/14% over '80/82/84).

(Occurring over '80-84 too was an increase in shares held in Canadian subsidiaries (by 0.3-1.3%); an increase in Canadian corporation shares (by 0.4-2.4%); and a decline of investment in foreign subsidiaries by way of advances (by 1.8-0.3%).)

Compensating for the decline-revival in business commercial loans -- and giving rise to the thesis of a movement over '80-84 in-out of a more complex set of business holdings -- were eight rise-falls, one outright increase, and only two declines in 'accounts and notes receivable from other than business commercial loans': business mortgages (4.4/9.5/15.3% over '80/83/84); factoring (1.0/2.2/1.1% over '80/82/84); wholesale financing (0.7/1.6/1.2% over '80/83/84); retail industrial and commercial sales financing (0.6-1.9%); residential mortgages (0.5/1.3/0.5% over '80/82-83/84); repossessed property, equipment & vehicles (.1/.7/.1% over '80/82/-83/84); allowances for doubtful accounts (-.5/-1.2/-.7% over '80-83/84); land, buildings, etc. (0.2/0.6/1.3% over '80/83/84); plus other assets (.3/.8/.3% over '80/82/84). The decreases were in leases (which ran 2.4/4.4/0.5% over

'80/81/84) and in personal loans (.14-.01% over '80-84).

In terms of where the slack came from to permit the rise in investments in subsidiaries, especially by way of advances, a lot of it came from drops over '80-82 in (a) term deposits, held both in Canada and abroad (running roughly 5.3/1.0/0.6% over '80/82/84), and (b) short-term commercial paper (whose values were 6.7/0.5/1.3% over '80/82-83/84).

<u>**LIABILITIES:**</u> A word of caution is in order before examining these accounts, because in compiling the '84 data, Statistics Canada quite evidently made at least one major change in definitions: viz. they massively up-scaled their valuation of the account 'Canadian currency chartered bank loans'. (The magnitude of the increase is clear from the fact that the revised '83 value of this account as offered in '84 was roughly 54 times the value initially given in '83.) For purposes of the type of analysis being done here, the alternatives for dealing with this structural shift in the data are not pretty, but probably best among them is to: (a) simply to keep in mind that all other '84 %-of-total-liabilities figures are significantly undervalued, albeit by a constant factor; and (b) note that while according to the '83 data bank loans as a whole declined over '80-83 (by 2.9-1.7%), it's hard to say what their 'true' course was over '80-84 (other than to postulate that the '84 definitions were actually the true or proper ones for all '80-84, and so to do a recalculation of the entire liability statement).

Carrying on then with these points in mind, it is apparent that in terms of what were the three largest accounts ex ante the new scheme of definition, there was over '80-84: (1) a huge shift out of short-term Canadian notes (49-22%); (2) a massive shift out of short-term foreign notes (17.1-0.8%); and (3) a net rise in long-term Canadian note, bond and debenture liabilities (12-20.4%). (It's noteworthy that the latter 2 accounts could be considered close substitutes for 'Canadian currency bank loans'.)

One rather interesting development was the net growth in

shareholders' equity over '80-84, with preferred share capital rising 0.5-2.1%, contributed surplus increasing .1-.2%, and retained earnings running 1.1/0.8/2.3/1.6% over '80/81-82/83).

Other occurances over '80-84 were: (i) the net rise in accounts payable (which ran 1.9/4.0/2.6% over '80/83/84); (ii) the one-time jump in '83 in owing to Canadian parents and affiliates (to 11.8%, up and down from around the 7.8% range); (iii) the net rise in mortgage liabilities (which ran .01/.18/.11% over '80/83/84); and (iv) the drop-rise in "other liabilities" (going .27/.02/.10% over '80/82/83).

REVENUES: The accounts here mirror very closely the developments noted in terms of asset holdings. For example, business loans fell-rose over the course of the recession (running 62/52/70% over '80/83/84); and 'interest income from investments in subsidiaries' is second largest and rose-fell (comprising 13/30/15% over '80/82/84).

Occurances of note that appear to go beyond a mere reflection of the shifts in asset holdings were: (i) The net rise in 'non-factoring fees and commissions' (which went 0.6/0.2/2.0/1.4% over '80/82/83/84). (ii) The big net drop in 'interest income from non-subsidiary investments' (going 15.5-3.6% over '80-84).

EXPENSES: Here too there is a very close correspondence with the balance sheet over '80-84, with an enormous drop in interest expenditures on short-term notes (62-23%), with a net rise in interest expenditures on long-term debt (going 10/38/20% over '80/83/84); and with the definitional leap in bank interest in '84 (to 38.5%, up from roughly 3% before).

(Two movements of some interest were: (i) The peaking in provisions for doubtful receivables in '82 (going 2.7/10.1/3.1% over '81/82/84). (ii) The one-time jump in '83 in amortization expenses, to .23%, up and down from roughly the 0.2% level.)

(8) REAL ESTATE INVESTMENT TRUSTS

TOTAL ASSETS: Unfortunately, the REIT record in terms of asset growth is best described as disasterous (11/4/9/(63)/(27)% over '78/79/80/82/84).

ASSETS: Until 1983, over ½ of REIT assets were held as one of 3 types of mortgages, with: (1) conventional residential rise-falling (30/37/28% over '77-80/81-82/83); (2) conventional non-residential fluctuating around 21%; and (3) NHA wilting (4.1-0.4% over '77-83). Then, in 1984, mortgage holdings dropped 21.6% -- 28.3/12.2% for residential, 21.9/16.4% for non-residential, and 0.4-'no entry' for NHA -- and term deposits in Canada was suddenly re-born at 29.7% (having been 0.07-0.27%/'no entry' over '77-80/81-83).

Aside from mortgages and term deposits, the other large asset holding was 'investments in the Trusts by way of advances and notes', which eroded-dropped (42.3-40.8%/32.0-27.5% over '77-81/82-84). (At nearly the same time and following a nearly inverse gradient: (i) investments in the Trusts by way of Trust units rose 0.38-0.48/0.78-1.30%; and (ii) preferred and common shares held in subsidiaries rose too, by .00-.06/.66-.76%).

Finally, a striking trend and a striking occurance were: (a) The exponential expansion over '77-84 of holdings in "land, buildings" (0.00-7.95%). (b) And the leap in '83 in cash and demand deposits 0.4/1.2/10.2/1.1% over '81-84).

LIABILITIES: A major and a significant movement occurred here. (I) The major shift came in the structure of 'ownership' and is intimately related to the changes noted in the middle asset paragraph above. (In fact the entries in the asset and liability 'Advances to/from' accounts are identical.) "Advances from the financing corporation" dropped slowly then rapidly (42-41/32-28% over '77-81/82-84), and conversely share capital of the type "Trust units" rose slowly then quickly over the same time-frame (12-13/22-36%). (As well: (i) Preferred and common share capital both rose .2-.5% over '77-83. (ii) The "provision and allowances for losses on investments" rose .07-.36% over '77-82 before

jetting to .93% in '84. (iii) In '82 there was a one-time-mushrooming of "debt owing to parent, subsidiary and affiliated Canadian companies", (0.01-'no entry'/5.8/0.7-0.4% over '77-81/82/83-84).

(II) The significant movement was a jagged though net shift out of long-term bonds and debentures. The net shift was 28/17% between '77/84, but the course of the drop was quite complex as it appears; (i) there was an initial drop over '77-78 (27.7-16.6%), with the released funds going into "promissory notes payable, one year or more" (3.6-11.3% over '77-78); (ii) the debt then shifted into notes of less than one year for '78-80; then (iii) went back into long-term bonds and debentures during '81-82; and then (iv) found its way into equity as trust units share capital over '83-84.

REVENUES: Roughly 95% of REIT revenue comes from interest on either mortgages (approximately 58% for '77-83, and then in '84, as per the asset accounts, 35%), or else "other" (which inhabited the 32-39%). range until '84, when it lept to 35%).

Two significant movements in smaller accounts were: (1) The net decline of advisory and management fees (2.7/0.4/1.0% over '77/81/84). (2) The exponential rise in "other revenue" (0.2-4.1% over '78-84).

EXPENSES: Between 86 and 92% of all REIT expenses are incurred in terms of interest payments. Over '77-84: (1) Interest expenses relative to the account "advances from the Finance Company" were steady around 45% (although they jumped to 54% in '81 and were 50% in '84). (2) Notes and loans payable jumped-slid-plunged 15/30/22/8% over '77/79/83/84). (3) Long-term bonds and debentures fell-rose (29/7/29% over '77/81/84).

Three significant movements in smaller accounts over '77-83 were: (i) the net drop in advisory and management fees (9.5/3.9/5.3% over '77/83/84); (ii) the leap in '83 in provision for losses (-0.3/1.8/4.8/1.8% over '77/82/83/84); and (iii) the net increase in other expenses" (1.3/5.2/3.2% over '77/83/84).

(9) MORTGAGE INVESTMENT COMPANIES

TOTAL ASSETS: Strong growth rates faltered to become negative in '83 (52/12/24/(1)% over '78/80/81/83, with a value of $469,038,000), and then in '84 MIC's were included with Mortgage Loan Companies.

ASSETS: Not surprisingly, MIC's were big in mortgages. And in terms of the four types of mortgage accounts held over '78-83: (1) They continually moved out of conventional residential single dwellings (41-18%). (2) They shifted into the conventional residential multiple dwellings' market (holding 26/45/42% over '77/82/83). (3) They moved in with a leap and then slowly backed out of the conventional non-residential mortgages market (going 18.2/27.3/20.8% over '77/79/83). (4) Their holdings of NHA mortgages fell-rose (going 5.9/3.8/5.2% over '77/78-82/83).

Beyond the mortgage accounts, what is striking is the leap in "real estate held for sale" (from 'no entry'-9.1% over '78-83).

LIABILITIES: There has been quite a bit of activity here, with much of it related to changes in modes of financing. In '77 the two largest non-equity accounts involved longer-term money: (a) 'Term deposits of 1-5 years', which over '77-83 remained fairly steady around 36%. (b) Long-term bonds and debentures, which steadily withered over '77-83 (22-7%).

At the same time as long-term bond and debenture liabilities were declining, there was something of a trend towards incurring shorter-term financial liabilities: (1) Term deposits of less than one year dropped over '77-79 (shrinking 6.8-0.2%), but then they recovered with vigor (registering 14.6/11.1% in '82/83). (2) Promissory notes payable in less than one year rose over '77-80 (going 'no entry'-10.8%), and then they settled back to the 8.6% range. Partially contradicting these movements, though, was a rise-fall in promissory notes payable in one year or more (going 'no entry'/9.4/5.1% over '78/81/83).

Probably and possibly related to the '77-83 birth of "real estate held for sale" were: (i) the growth in mortgages payable (0.1-2.1%); and (ii) the large expansion of provisions and allowances for losses (0.01-1.61%).

In terms of equity over '77-83: (1) Both common share capital and contributed surplus declined (17.6-9.7% and 2.3-1.5%). (2) Preferred share capital hovered around 8.7% (except for a dip to 6.6% during '81-82). (3) Retained earnings, despite its fluctuation between -.17% and +.45%, dipped to -2.29% in '83.

REVENUES: Again not surprisingly, mortgage interest revenues predominated over '77-83 (comprising at least 87% of revenues, and even more during the period of highest interest rates). And then beyond mortgage revenues, notable were the rough but clear declines in: (i) "other interest" (5.0-0.9%); and (ii) "other revenue" (by perhaps 1.4-0.9%).

EXPENSES: The large majority of MIC expenses were in terms of interest, and the two largest accounts present no surprises: (1) The total of "term deposits" dropped-recovered (swinging 58/37/53% over '77/81/83). (2) Long-term bonds and debentures faded over '77-81 (29.7-7.6%), but then remained roughly constant thereafter.

The interesting interest expense account is "bank loans and overdrafts", which involves numbers quite a bit larger than the liability account(s) "bank loans" would suggest, which in turn would seem to imply that MIC's spent quite a lot of money on overdrafts.

Beyond the interest expenses incurred over '77-83: (i) Advisory and management fees rose-fell (5.8/12.9/5.6% over '77/80/83). (ii) Expenses by way of "provisions and allowances for losses" grew dramatically (by 0.1-9.1%, although they peaked at 16.2% in '82). (iii) Amortization expenses withered (1.04-.02%).

REGIONAL OCCURANCES: A quick glance at the provincial balance sheets confirms that, as amongst the provinces, MIC activities were highly variable, especially in terms of asset holdings.

Generally speaking -- and with only one fairly minor exception, MIC activities in Ontario parrelleled those described above for all MIC's across Canada. (The small exception was in holdings of conventional non-residential mortgages, which remained stable over '79-83 in Ontario at around 24%; whereas for all provinces combined, holdings slid by 27.3-20.8%).

The MIC experience in Quebec over '79-83 was highly erratic on its own terms, and it was also quite exceptional from country-wide trends: (1) Instead of declining steadily, as was the net Canadian experience, MIC holdings in Quebec of conventional residential single dwelling mortgages rose-fell-rose-fell (running 25/34/22/36/17%). (2) The shift by Quebec MIC's into the conventional residential multiple dwellings' market was very rough indeed (19/31/13/49% over '79/81/82/83). (3) The closest congruence with national trends came with the '79-83 net movement out of conventional non-residential mortgages (55/31/39/26% over '79/80/82/83, compared with a country-wide drop of 27-21%). (4) and holdings of NHA mortgages lept-declined (1.5/16.5/7.9% over '79/80/83, whereas the net national experience was a modest rise of 3.5/5.2% over '79-82/83).

In the East and in terms of asset holdings, MIC's: (i) are big in Newfoundland in conventional non-residential mortgages (totalling roughly 82%); (ii) are big in P.E.I., and appear to be expanding their holdings of conventional residential multiple dwelling mortgages (89% in '83); (iii) interact primarily in 2 markets in N.S., in conventional residential multiple and in conventional non-residential (60/36% and 32/62% in '80/83); and (iv) hold their most diverse portfolio in New Brunswick.

In the West and in terms of asset holdings, MIC's: (a) appear, as between '80/83 in Manitoba, to have completely shifted out of the conventional multiple residential, plus the conventional non-residential markets, and into conventional residential single dwelling mortgages; (b) did a major swing in Saskatchewan as between '80/83 and as between the conventional residential single dwelling, and the conventional non-residential mortgage markets (registering 10/71% and 73/16%); (c) in Alberta kept their percentages fairly stable, with conventional residential multiple dwelling mortgages as the largest holding (at just over 50%); and (d) in B.C. behaved pretty much as they did in Alberta.

(10) CLOSED-END FUNDS

TOTAL ASSETS: One spectacular year ('83) sits amidst performances that were at best mediocre (10/1/9/2/55/3% over '78/79//80/82/83/84).

ASSETS: Some possibly profound though imperfectly clear changes occurred in the asset holdings of the Funds over '77-84, and many of the shifts appear to begin with the continued draining of the largest account, common Canadian corporation shares (which slid-plunged 69/53/37-35% over '77/82/83-84).

Partially counterbalancing the strong shift out of common Canadian shares were net rises in 3 accounts, certainly 2 and possibly all of which are less liquid, although none is disturbing (if you know where 'foreign' is): preferred Canadian corporation shares (3/10/7% over '78/82/84); foreign corporation shares (6/14/13% over '77/82/84); and "land, buildings, etc." (0.2/0.6/1.8% over '78/83/84). (Seemingly related was the rise-fall in "other assets", 0.2/1.3/0.3% over '77/81/84.)

As well -- and this is primarily where the potentially profound and the largely unclear may be found -- (i) "other investments in Canada" sprouted then ballooned ('no entry'/0.3/0.08/18.7-20.1% over '78/80/82/83-84); and (ii) investments in Canadian subsidiaries by way of shares slid-lept (6/4/10% over '77/82/83-84).

(At the same time as these two sets of major investment moves: (a) investments in Canadian subsidiaries by way of advances rose-fell-rose (going 0.2/2.9/0.4/1.3% over '78/81/83/84); and (b) investments in foreign subsidiaries by way of shares grew-perished (running 'no entry'/1.4-0.8%/'no entry' over '77-79/80-82/83-84); and (c) Canadian corporation shares held in mutual funds experienced a very crude rise-fall (going roughly .1/.8/.6% over '77/81/84).)

As means of partially financing the foregoing expansions, there were very jagged though very evident net contractions in 5

financial asset accounts: (i,ii) term deposits with banks and non-banks (4.9-1.1% over '81-84 and 3.0/0.5/0.8% over '80/82/84); (iii) Canada treasury bills (1.6-0.6% over '83-84); (iv) long-term Canadian corporation bonds, debentures and notes (roughly 4.1/1.6% over '78/80-84); and (v) foreign long-term bonds, debentures and notes (0.9/0.5% in '82/84).

INVESTMENT PORTFOLIO AT MARKET VALUE: One major and 4 additional discrepancies are apparent when comparison is made to asset values recorded at cost: (1) The major discrepancy is that the book value of investments in subsidiaries by way of shares slumped-blossomed (6.4-3.9/10.3% over '77-82/83-84) while their market values rose, apparently in 3 stages (approximately 6.5/11.8/14.1%). (2) Canadian preferred corporation shares were over-stated during '79-84 when recorded at cost instead of market values. (3) Common Canadian corporation share holdings were fairly invariant according to accounting practice except as between '82/83-84, when book values wilted disproportionately. (4) Canadian corporation shares held through mutual funds were out of sync over '80-84, essentially slumping in market terms (.5-.4%) but jump-falling in cost terms (.4/.8/.6% over '80/81/84). (5) The slight rise-fall in foreign corporation share holdings over '80-84 was somewhat more pronounced in market as compared to cost terms.

LIABILITIES: On this side of the balance sheet, two basic and one specific set of comments are applicable and sufficiente: (1) The equity accounts were predominant. (2) With the exceptions about to be noted, the acounts were fairly stable.

(3) Despite the relative stability of most accounts, there were 2 very striking and 3 less striking developments: (i,ii) Very striking indeed was the '82/83 interchange of contributed surplus leaping and retained earnings dropping (approximately 1.7/17.0% and 51-42/29% over '77-82/83-84). (iii) Canadian currency loans from Canadian banks fell-rose (1.2/0.2/1.5% over '78/81/84). (iv) Income tax liabilities dropped (from +2.2% in '79 to -0.05% in '84). (iv) Long-term debt declined (3.6-1.3% over '78-84).

(11) INVESTMENT FUNDS

TOTAL ASSETS: Substantial rates of growth were temporarily reduced by the recession (18/5/26% over '81/82/84).

ASSETS: In terms of largely held assets, there were three trends: (1,2) Over '78-84, Investment Funds moved out of conventional residential mortgages (34-12%, and out of non-residential mortgages too, by .51-.21%), and into foreign common shares (13-26%). (2) And common Canadian corporation shares fell-rose (33/22/30% over '77/79/84).

Beyond, there was over '77-84: (i) strong growth in preferred Canadian corporation share holdings (1.7-6.3%); (ii,iii) a net shift into short- and long-term Canada plus provincial bond etc. holdings (in sum, going 3.8-13.0%), and a net shift out of both "short-term commercial and finance company paper and bankers' acceptances" (3.2/5.5/2.3% over '77/79/84) plus "long-term corporation bonds, debentures and notes" (5.2-1.9%); (iv) a retreat from holding demand deposits with non-banks (.42-.06% over '78-84), short-term bank notes (.24/.89/.08% over '79/82/84), plus term deposits with banks (4.1-0.9% over '78/84) and trust companies (.38-.15% over '80-84); (v) a withering of Canadian corporation shares held in mutual funds (.13-.01% over '82-84); (vi) a net rise in gold bullion and certificates (.06/.29/.18% over '77/82/84; (vii) a leap and a plunge respectively in '84 in 'foreign short-term bills and notes' and ('foreign long-term bonds, debentures and notes' (0.02/1.49% and 1.1/0.5% over '83/84); and (viii) a rise-fall in both "accrued interest, dividends and other accrued income" plus refundable taxes (1.0/1.5/1.2% over '77/80/84 and .11/.31/.16% over'77/81/84).

LIABILITIES: The Funds' balance sheet indicates the dominance of three types of equity: (1) RRSP (which rose-fell 31/34/28% over '77/79/84). (2) Non-registered share capital (which fell-rose 50/43/49% over '77/80/84). (3) Retained earnings (which rose-fell 14/21/18% over '77/81/84).

REVENUES AND EXPENSES: Fundamentally, these statements mirror the movements observed in the balance sheet. (For example, revenues from mortgages and term deposits are down, while those arriving as foreign-earned dividends are up. And in terms of expenses, management and trustee service fees are dominant.)

(11a) INVESTMENT FUNDS, EQUITY

TOTAL ASSETS: The recession temporarily slowed down very significant rates of growth (25/9/32% over '81/82/84).

ASSETS: Not surprisingly, 2 share accounts were dominant over '80-84: (1) foreign corporation shares rose-fell (32/36/35% over '80/81/84); and (2) common Canadian corporation shares hovered around 40% (unlike preferred holdings, which grew 5.8-8.4%).

In addition: (i) there was a pronounced shift out of "short-term commercial and finance company paper and bankers' acceptances" (7.1-1.7%), and into "other" short-term notes (0.5/6.8/4.6% over '80/83/84); (ii) long-term corporation bonds and debentures recently grew in favor (0.7-1.0% over '82-84); (iii) 'foreign non-corporation-share investments' fell in sum (3.4-2.7%); and (iv) likely recession-related swings may be noted in "cash and demand deposits", term deposits and in "other investments in Canada".

LIABILITIES: We see here the retained earnings account being drained over '80-84 (37-26%); and rising in its place was non-registered share capital (47-57%) plus RRSP share capital (12.5-15.4%).

REVENUES AND EXPENSES: Not surprisingly, dividend income is the largest revenue account (rising a bit in sum over '80-84 by 66-70%); and management fees are the largest expense (roughly 59%) but have shown quite a high degree of variance.

(11b) INVESTMENT FUNDS, MORTGAGES

TOTAL ASSETS: These funds reversed earlier asset shrinkage and then experienced modest growth.

ASSETS: There is no surprise here in that the predominant sort of account is "mortgages and sales agreements", although it is interest that over '80-84: (a) the dominant mortgage account, conventional residential, dropped a fair bit (83/87/71% over '80/81/84); while (b) NHA mortgage holdings grew exponentially (6.5/5.9/14.2% over '80/81/84).

In the remaining accounts, the effects of the recession are quite apparent: (1) There were fall-rises in the 3 largest "long-term bond and debenture" accounts, viz. Canada (1.9/1.1/2.5% over '80/83/84), corporation (.7/.2/.7% over '80/82/84) and provincial (.4/.3/.9% over '80/81/84. (2) There were major expansions in '82 in term deposits (2.2/0.9/5.7/2.8/2.9% over '80-84), and in "commercial and finance company paper and bankers' acceptances" (1.1/0.8/4.5/3.6/2.9% over '80-84; and it's notable that the '82-83 decline here was matched in magnitude by the relative jump in "other" short-term note holdings, which went .07/.96/.85% over '82-84).

LIABILITIES: In terms of the two dominant accounts here, there was a modest rise over '80-84 in RRSP share capital (60.5-66.1%), and a modest decline in non-registered share capital (35.2-30.2%).

And in terms of the minor accounts: (1) Bank loans ballooned in '81 (running 0.31/1.09/0.01/.19/0.17% over '80-84). (2) There were slight rise-falls in "accounts payable and other liabilities" plus RHOSP share capital (1.7/1.9/1.7% and 2.4/2.8/2.7% over '80/82/84).

REVENUES: The revenue accounts essentially mirror the asset accounts, with (a) "interest earned on mortgages and sales agreements" predominant and somewhat downwards-soft, and (b) bubbles in '82 in 'interest earned on term deposits plus others'.

EXPENSES: "Management fees" were the dominant expense, although the account did experience a sharp but temporary drop in '81 (going 91/78/90% over '80-82).

(11c) INVESTMENT FUNDS, INCOME

TOTAL ASSETS: These funds had trouble in the recession but have bounced back nicely ((5)-17% over '81-84).

ASSETS: Three clear and major trends, plus one significant set of trends were prevalent over '80-84: (I) There was a major rise in long-term Canada bond holdings (33-50%; together with a rise-fall in provincial holdings, by 11/14/9% over '80/83/84).

(II) There was also a major expansion in holdings of "short-term notes other than commercial and finance company paper and bankers' acceptance (2-16%).

(III) Contrarily, there was a major slide in the long-term Canadian corporations bond and debentures account (24-11%)

(IV) In addition to this slide, there were also significant declines over '80-84 in: (1) all mortgage accounts (NHA, conventional residential, plus conventional non-residential dropped 4.73-0.03%, 6.9-2.7% and 01%-'no entry'); (2) cash and demand deposits (4.7-0.8%); plus common Canadian corporation shares (2.3/0.3/1.3% over '80/83/84).

ASSETS AT MARKET VALUE: "Other assets" were under-value when recorded at cost, although the degree of discrepancy generally declined over '80-84.

LIABILITIES: For the most part, these accounts were very stable over '80-84, with approximate values of 53% for RRSP share capital, 44% for non-registered share capital, and 9+% for RHOSP share capital (with a dip to 7.5% in '84).

Beyond share capital: bank loans rose (.04-.30%); "accounts payable and other liabilities" dropped (2.8-0.9%); and the odd-looking account was retained earnings in that its values were negative at all times (going -6.5/-12.0/-6.9% over '80/81/83).

REVENUES AND EXPENSES: With the possible exception of interest earned on bonds, debeentures and serial notes as between '83/84, the revenue accounts mirror the asset accounts. And as one would expect, given the magnitude and nature of the Funds', share capital, management fees were the predominant expense account.

(12) TRUST COMPANY RETIREMENT SAVINGS FUNDS

TOTAL ASSETS: TCRSF's total assets seemed to bounce back fairly well from their extraordinary shrinkage in '80, but then they encountered hard times in '84 (23/(267)/11/2/19/(30)% over '78/80/81/82/83/84).

ASSETS: The history of the Funds' asset holdings over '77-84 is dominated by the apparent change of a fundamental legal rule which became effective with the start of 1980, and which seems to have precluded TCRSF's from holding, as assets, term deposits in trust companies (an account which had grown 68-74% over '77-79, but which then diminished .42/.01/.34% over '80/82/84).

So the big question is: Bearing in mind that the TCRSF's total asset base shrunk by 267% as between '79/80, how then did they restructure their asset holdings? The simplest answer is to say: Fundamentally, in terms of three types of accounts: (I) 'growth assets'; (II) 'quasi-growth assets'; and (III) 'wilt assets'.

(I) By 'growth assets' I mean the 3 accounts which, ex post the legal change, then grew through '84, if not consistently then at least with net vigor over '79/80/84: (i) common Canadian corporation shares (10/39/53%); (ii) accounts receivable & accruals (.52/.57/.95%); and (iii) cash and demand deposits held with Canadian banks (0.2/0.5/1.8%). Furthermore, its' notable that for common Canadian share holdings -- not just a growth asset, but also the largest '80-84 account -- the revival was a virtual about-face from '77-79, when much of the decline in this account (16.4-9.8%) seems to have financed the rise in the subsequently banned "term deposits in trust companies" (67.8-74.4%).

(II) By 'quasi-growth assets' I mean 4 asset-varieties which did not grow with either substantial vigor or else clarity over '80-84, but which did not obviously flag over the period either: (1) term deposits held with Canadian banks (0.9/2.8/3.2% over '79/80/84); (2)

long-term Canada bonds (2/13/22/11% over '79/80/83/84); (3) conventional mortgages (4/10/7/11% over '79/80/81-83/84); and (4) "investments outside Canada" (0.8/3.4/4.6/2.9% over '79/80/83/84).

(III) By 'wilt assets' I mean the 13 accounts which were lower in '84 than they were in '80, and as amongst them, notable were: cash and demand deposits in non-banks (.5-.3%); term deposits with non-trust companies (7.5-3.2%); 'long-term provincial, municipal and corporation bonds, debentures & notes' (10-6%); NHA mortgages (1.0-0.3%), preferred Canadian corporation shares (1.0-0.3%); preferred Canadian corporation shares (1.0-0.7%); plus "other investments in Canada" (13-8%).

ASSETS AT MARKET VALUE: There are no surprises here.

LIABILITIES: The change of legal parameters in '80 had a big effect here as well, with: (1) the previously overwhelming "unitholders' contributions" which had slipped a bit over '77-79 by 97.5-94.9%) taking a real plunge as between '79-82, though then recovering somewhat as between '82/84 (running in sum 94.9/70.1/58.2/67.1% over '79/80/82/84), and (2) "undistributed income and accumulated realized gains" alternatively absorbing most of the spillage and providing the '82-84 slack (going 2/5/29/41/33% over '77/79/80/82/84).

REVENUES AND EXPENSES: The revenue accounts reflect very closely the various movements noted in the asset accounts over '80-84; and the predominant expense account, management and trustee service fees, fell-rose over '80/81/84 (going 93.1/80.5/97.3%).

(12a) TRUST COMPANIES', RETIREMENT SAVINGS FUNDS, EQUITY

TOTAL ASSETS: These funds have experienced highly eratic rates of growth and decline (23/0/21/(38) over '81-84).

ASSETS: With 3 obvious and important exceptions, these accounts were fairly stable over '80-84. The major exceptions were: (1,2) a running down of Canadian term deposits (12.0/1.5/3.3% over '80/83/84), plus all long-term -- especially Canadian -- bond and debenture holdings (together running 15/18/6% over '80/83/84); and (3) a jump in '84 in holdings of common Canadian corporation shares (to 80.7%, up from the 67% range over '80-83).

As well there were rise-falls in: (i) preferred Canadian corporation shares (1.6/1.9/1.1% over '80/81/84); (ii) "other investments" (1.6/2.6/1.3% over '80/82/84); (iii) "investments outside Canada" (5.5/6.7/4.5% over '80/83/84); and (iv) "other assets" (.4/.6/.4% over '80/82/84).

ASSETS AT MARKET VALUE: Two surprises surface here, one major and one minor: (1) The major surprise is how greatly "other investments in Canada" were appreciated by the market, especially during '80-83 (the account ran 19/15/20/16/8% over '80-84); which implies the question: 'Just what were/are these other Canadian investments?' (2) The minor surprise was in "other assets", which also received somewhat heightened appreciation by the market.

LIABILITIES: Two accounts were predominant over '80-84, and as between them there was a rather striking double-turning-of-tables over '80/82/84: with the largest account, unitholders' contributions, falling-rising (63/50/63%); and with the second account, undistributed income and accumulated realized gains, inversely rising-falling (37/50/37%).

REVENUES: Given the asset accounts, there were 3 surprises here, although given the levels of interest rates over '80-84 and considering the likely delays in realizing returns on investments, the surprises are probably fairly minor: (i) term deposit earnings fell-rose as did its asset-counterpart, although the '84 revival in revenues was much more pronounced than in holdings (18/2/8% over '80/83/84); (ii) interest revenues from bonds, debentures, bills and notes was proportionately much larger than its asset-cousins; and (iii) 'other interest earned' grew in '84 (to 3.4%, up from roughly 1.5% previously).

EXPENSES: The massive account here was "management and trustee service fees" (which ran between 95.6-99.7%).

(13) SEGREGATED FUNDS

TOTAL ASSETS: Very strong growth rates have been reduced but still remain fairly healthy (20/24/7/17/5% over '78/80/81/83/84).

ASSETS: Three sets of accounts dominated over '77-84: (1) Common Canadian corporation shares, which experienced a slight fall-rise but essentially hovered around 30%. (Foreign corporation shares rose roughly from the 3.7% to the 5% range, and Canadian preferred shares rose-fell 0.87/1.59/0.74% over '77/81/84.)

(2) Long-term bonds, debentures and notes. In net terms of this grouping , the Funds moved into especially Canada as well as municipal holdings (3.4-16.1% and 0.6-1.2%) by slightly greater than they moved out of corporation plus provincial accounts (16.0-7.6% and 6.0-4.2%).

(3) Mortgages. At the same time as the shift into long-term Canada bonds, there was also over '78-84 a withdrawl occuring from the mortgage markets, with NHA, conventional residential, plus conventional non-residential mortgage holdings all dropping (4.1-2.2%, 7.2-2.5% and 12.1-8.2%).

Beyond the three major sets of accounts directional trends: (a) There were obvious movements over '77-84 into: Canada treasury bills (1.5-5.4%), "real estate and ground trends" (0.3-5.1%), plus "other investments outside Canada" (.02/.52/.32% over '77/82/84). (b) There was a drop over '79-84 in "other investments in Canada" (.38-.02%). (c) There was a rise-fall sequence in: short term bank notes (1.8/5.1/1.8% over '77/82/84), "commercial and finance company paper and bankers' acceptances" (4.5/5.8/2.3% over '77/80/84), plus short-term foreign bills and notes (.10/.43/.02% over '77/79-81/84).

ASSETS AT MARKET VALUE: Three accounts merit comment relative to their registry at cost on the traditional balance sheet: (1) Short-term Canada treasury bills were over-valued '77-81, and then under-valued '82-84.

(2) Common Canadian corporation shares were always undervalued, sometimes by as much as 19%. (3) Foreign corporation share holdings were also undervalued, although typically by less than common Canadian holdings.

LIABILITIES: The predominant and slightly growing account over '77-84 (93.5-95.8%) was 'non-RRSP liabilities to policyholders'.

Of note in addition was the net drop in RRSP sponsorship (5.5-3.2% over '77-84), as well as the jagged net rise in "other liabilities" (.03-.08/.17/.12% over '77-81/82/84).

REVENUES: The mortgages and dividend accounts mirror the '77-84 activity of their asset relatives, alright, and one need not be surprised that interest received from "bonds, debentures and notes" bounced around 36% without exhibiting a growth trend, but curious or at least remarkable were the rise-fall in "other interest" (5.2/26.6/7.4% over '77/81/84), plus, perhaps, the of growth path in "other revenue" (.08-6.11% over '77-84).

EXPENSES: "Management fees" is obviously a large and erratic though declining account, but what intrigues the mind is to wonder what the other expense account, "other expenses" -- which is unsteadily growing and has ranged between 2 and 44% -- may be comprised of.

(14) LIFE INSURERS

ASSETS: There is a fair degree of stability here, with three sets of relatively large accounts: (I) Assets held for business outside of Canada was the largest account and experienced an upwards drift over '77-84 (23-29%).

(II) The second largest set of accounts, at least initially, were "mortgages and sales agreements", and these were comprised of: (i) conventional non-residential, a fairly stable account that slid a bit over '80-84 (by 14.2-12.0%); and (ii, iii) conventional residential and NHA, both of which declined over '77-84 (10.7-6.5% and 7.5-5.4%).

(III) Initially the third largest, but becoming in '84 the second largest account-type, was 'bonds, debentures and serial notes", within which provincial, municipal and corporate holdings essentially slid over '77-84 (6.2-5.3%, 1.9-1.7% and 17.1-13.2%), while there was a nearly compensating rise in Canada holdings (2.4-6.7%).

Beyond these three sets of large accounts, of note over '77-84 were: (1) The rise in short-term Canada plus provincial treasury bills and notes (0.1-1.0% and .02-.20%). (2) The net trend into preferred corporation shares (going 0.3/1.1/.8% over '77/81/84). (3) The increase in investments in subsidiaries by way of shares (0.3-1.0%). (4) The rise-falls in "accounts receivable and accruals" plus "real estate and ground rents held for income" (1.8/2.0/1.8% and 3.8/4.7/4.8% over '79/83/84).

LIABILITIES: It appears that a slow game is being played here. Generally, it involved a movement over '77-84: (A) out of actuarial liability (59.5-53.5%), outstanding claims (1.0-0.7%), amounts left on deposit (4.4-3.4%), provision for policyholder dividends (1.6-1.3%), and liability for staff benefit plans (1.2-1.0%); and (B) into premiums received in advance (.10-.15%), bank loans (.3-.6%), long-term debt (.4-.5%), accumulated deferred income taxes (.00-.07%), liabilities held for business outside Canada (20.3-24.2%), "investment, contingency and general reserves" (3.6-4.7%), retained earnings (4.6/7.1/5.5% over '77/80/84), plus head office accounts (1.6-2.3%).

REVENUES: The four largest accounts suggest two general tendancies over '77-84: (1) away from insurance premiums and mortgages (44-32% and 29-14%); and (2) toward annuity considerations plus, especially, "bonds, debentures and serial notes" (21-26% and 'no entry'-15%).

EXPENSES: Most striking here is something that is not obvious from the balance sheet, showing up in the expense accounts as a big rise over '77-84 in annuity claims incurred (10/22/20% over '77/82/84). Beyond this account, the imperfect though net trends are pretty much in line with the developments registered on the balance sheet: slides in insurance claims incurred (22-18%), dividends to policyholders (8.9-6.7%), commissions (5.4-4.6%), plus premium taxes (.71-.44%).

(14a) ACCIDENT AND SICKNESS BRANCHES OF LIFE INSURANCE COMPANIES

TOTAL ASSETS: These compaies have enjoyed a very respectable record of growth (21/12/15% over '78/83/84).

ASSETS: The accounts here were fairly stable over '77-84, with three varieties dominating: (I) Mortgages, the second largest account, essentially slid (24-18%); while (II) "Assets held for business outside Canada", the third largest account, essentially rose (13.4-18.0%).

(III) The largest set of holdings over '77-84 were in terms of "bonds, debentures and serial notes", with: (i) a net rise in the Canada account (6.8-11.4%); (ii) a downward softness in provincial holdings (crudely 11.3-10.1%); and (iii) fall-rises in the municipal and corporation accounts (5.2/3.9/4.9% over '77/80-82/84, and 21.4/17.4/20.5% over '77/80/84).

(Outside of the major accounts there were a number of minor trends over '77-84, with significant net or else outright rises in: cash and demand deposits held with non-banks in Canada (.00-.07%), as well as with banks (1.1-2.0% over '80-84); holdings of short-term Canada treasury bills plus "bankers' acceptances, commercial & finance company paper" (.07/.99/.80% and 0.5/1.9/1.1% over '77/83/84); accounts receivable from other than agents, head offices of else insurance companies (roughly 1.7/2.6% for '77-79/80-83); and then roughly 2.6% for '80-83); plus "land, buildings, furniture, equipment, etc." and "deferred charges and intangible assets" (.11-.21% and roughly .05/.40% over '77-78/79-84).

(Contrarily over '80-84 there were significant net or else outright drops in: short-term deposits with both banks and non-banks (.98-.34% and .28-.07% over '77-83); preferred and common corporation shares (2.5-1.4% and 2.0-1.3%, although the latter really had its decline over '81-84); investments abroad in terms of "long-term bonds, debentures and notes" plus corporation shares (.23-.01% and .15%-'no entry', with both dips primarily occurring over '77-79); accounts receivable and accruals from (a) "agents and uncontrolled premiums"

(5.6/3.7/4.2% over '77/81/83), (b) "life branch or head office" ('no entry'/2.6/1.8% over '77/79/83), and (c) "insurance companies" (1.0-0.5% over '78-83).)

LIABILITIES: Quite a few of the accounts experienced pendulum swings over '77-84, so that, if not entirely from year to year, then in an overall sense there was a fair degree of stability here.

Supplying relative calm to these accounts -- in addition to the swing-factor -- were the facts (a) that the second largest account, "liabilities held for business outside Canada", experienced a rough and only minor rise-fall over '77/80/84 (13.9/15.5/14.4%); and (b) that the largest account, provision for unpaid claims, rose steadily but slowly over '78-84 (46.2-53.5%).

In addition to the slow but clear expansion of provisions for unpaid claims, there were net rises in: banks loans (0.2-1.7% over '77-84); accounts payable to agents and to 'other than agents or else life branches, head offices or insurance companies' (running .1/.4/.3% over '77/80/83 and 1.4/0.8/1.8% over '77/81/83); plus, barely, investment contingency and general reserves (3.1/10.8/3.8% over '77/81/84).

There was a clear drop in provisions for dividends to policyholders over '78-84 (4.4-2.2%, and net declines in: unearned premiums plus additional policy reserves (7.4/4.6/5.9% over '77/82/84 and 4.1/1.2/1.3% over '77/82/83, and then in '84 the latter account was folded in with "investment contingency and general reserves"); accounts payable to "life branches or head office" and to "insurance companies" (running 'no entry'/.81/.47% over '78/79/83 and .55-.36% over '78-83); plus head office (14.3/7.9/11.3% over '77/81/84).

(15) INVESTMENT DEALERS

TOTAL ASSETS: Dealer growth rates were very variable, although on average they were fairly modest (19/3/13/2/19% over '78/80/81/83/84).

ASSETS: In sum, two sets of trends plus one non-trend were prevalent: here: (I) The non-trend occurred in the largest single account -- "accounts and loans receivable from clients, brokers and dealers" -- where there was fluctuation throughout '77-84, ranging 31-42% with a mean of 38%, but without any clear direction.

(II) Beneath this largest account, there was in terms of individual size a second tier of seven 'short-term bill & note' accounts which ranged 47-55% over the period, but without a clear net direction. There were, however, some trends within the individual accounts: (i,ii) Dealers have recently been shifting into Canada treasury bills (10.0-24.4% over '81-84) plus provincial bills and notes (0.7-5.1% over '80-84). (iii,iv,v) And they've been shying away from "bearer term notes of chartered banks" (14.2-5.2% over '81-84), "sales finance companies' notes" (12.7-1.7% over '77-84), plus commercial paper (13.4-6.2% over '78-84).

(III) Probably the most significant tendancy was a vigorous effort to expand non-traditional asset holdings -- made possible by the coincidence of low/high and high/low values in 'receivables from clients et al, and "short-term bills and notes" -- and while the absolute numbers involved are not enormous, many of the degrees are. The accounts within which movements towards diversification which may be noted are: (1) Advances to subsidiaries, which lept to around the .40% range during '81-84, up from approximately .06% before. (2) "Other assets", which increased .15-.52% over '77-84. (3) 'Accounts receivable from other than clients, brokers, dealers or else under sell-back arrangement' (0.50/1.75/1.13% over '77/82/84). (4) Foreign "term deposits and short-term bills and notes" (0.1/3.2/1.4% over '77/82/84). (5) "Other investments in Canada" (0.01-0.32% over '79-84). (6) "Land, buildings, etc." (.2/.8/.6% over '78/83/84).